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NEW

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Nissan yanks record $150M

By STEWART ALTER
and CLEVELAND HORTON

In the largest single account move ever, Nissan Motor Corp. USA pulled its $150 million-to-$160 million in billings out of William Esty Co., almost 10 years to the day that it first hired Esty.

An agency review is planned, but most insiders expect Ogilvy & Mather Worldwide to win the account. Ogilvy cleared its decks of its $15 million Peugeot account in 1986, and has been pressing for either Nissan or Toyota (at DFS Dorland Worldwide) since then.

Agency sources in Los Angeles say Nissan is considering splitting its account around model lines, separating trucks, high-end sporty cars and low-end, entry-level cars.

Esty was fired just as new CEO Joseph O'Donnell visited Nissan's Carson, Calif. headquarters, presenting creative solutions for Nissan to C.P. "Chuck" King, Nissan senior VP-marketing and sales, and Joe Opre, general manager of advertising and sales promotion.

To demonstrate Esty's new resolve to do better creative work, Mr. O'Donnell informed Nissan he had hired Marvin Honig, exec VP-executive creative

(Continued on Page 108)

Moonlight dancer

Bruce Willis, who last year sang for Seagram's Golden Wine Cooler, this year dances in a 60-second rock video. Directed by David Mallet, the video is the centerpiece of Seagram's campaign, via Ogilvy & Mather, that kicks off the summer cooler season. See story on Page 110.

Wall St. knocks JWT

By STEWART ALTER

NEW YORK—JWT Group Chairman-CEO Don Johnston tried to impress Wall Street last week, and Wall Street wasn't impressed.

In a major test of Mr. Johnston's leadership, the head of the world's fourth-largest agency group eliminated JWT/USA staff positions and gave top positions to "line"—or hands-on—execs. He also named a president and chairman—from inside the company—and formed a U.S. operating committee.

Stephen Bowen Jr., 43, becomes president of JWT/USA, and James Patterson, 40, creative director of Thompson/NY, also takes on the role of chairman-creative director of the U.S. agency.

The strategy: Re-emphasize creative work and strengthen cost-controls at a time when client loyalties may be uncertain.

But major Wall Street analysts

(Continued on Page 108)

Last Minute News

Saatchi expected to double profit

LONDON—Saatchi & Saatchi Co. on May 14 will announce an increase of at least 93% in pretax profits to $82 million-plus for the six months ended March 31 vs. a year earlier, according to London stockbroker Philips & Drew. Analysts predict the result will be slightly higher than the Philips & Drew forecast. The large increase in profit is attributed partly to the

(Continued on Page 8)

Table 1

1986 Distribution of total cash pay increases

All matched employees, all agencies

0% increase
27%

1 to 5% increase
18%

6 to 12% increase
29%

13 to 20% increase
14%

Over 21% increase
12%

Source: ©1987 by Cole Surveys, Inc.

Average salary increase for 20 agency executive positions was near 14% last year, but 27% got no boost.

Salary survey

Average agency boost hit 14.6%, but one in four execs stiffed in '86

By BEN COLE and MATT SIZING

For many ad agencies and their top executives, 1986 was tough, though most weathered the storm and some even had an exceptional year.

How did the ups and downs in the advertising industry affect industry paychecks?

To answer this question, Cole Surveys in cooperation with ADVERTISING AGE conducted the second-annual survey of top-management compensation in advertising agencies.

A total of 2,667 executives were covered this year, a 61% increase over last year's sample of 1,654 execs. Among the highlights of this year's study:

- Three-quarters of the executives got at least some increase. Those reported in both the 1985 and 1986 studies received base salary increases that ranged from 1% to 110%; the average salary raise was 13.6%. The average total cash compensation (1986 base salary plus bonus) for these executives increased even more, up an average of 14.6%. And one of every eight executives had a great year, drawing a total cash increase of 21% or more.
- For one in four ad execs, however, 1986 was bad news: 26% saw no increase in salary, and 27% got no raise in total cash. These are the highest "zero-increase" statistics we've ever recorded in any industry in any year (in a typical year, 90% or more receive a pay boost). Many executives actually took a pay cut—their salaries were frozen, but their bonuses were slashed.

Hardest hit were top management in the smaller agencies, as well as the ceos of independents of every size. Some of the highest paid in the largest agencies saw their paychecks shrink. (See Tables 1, 2 and 3.)

Even in a shaky year, big bucks and big bonuses were much in evidence. While the average total cash compensation for all 2,667 executives was $69,700, the highest-paid agency exec pocketed $613,600, more than eight times the average.

One in six executives (444, or 16.6%) made more than $100,000; 66 (2.5%) earned more than $250,000; 10 made more than $500,000.

And even though incentives were somewhat scarcer this year, executives who got one averaged 22% of base salary, the same percentage as last year. The biggest bonus reported was $285,000.

Incentives are more than a key element in executive compensation. Because bonus pay is variable and can change (or disappear) from one year to the next, it is perhaps the best barometer of an industry's year-to-year fortunes as reflected in how its top executives are paid.

- Last year, six of every 10 executives (61.5%) with company-wide managerial responsibilities (ceos, presidents, branch office managers and executive vice presidents) received a cash incentive averaging approximately one-third

(Continued on Page 46)

Highlights

Reebok roulette 4
Ammirati & Puris last week resigned the $15 million Reebok International account after holding it only two months because, the agency says, Reebok officials changed their minds every week on the direction their advertising should take. Reebok then awarded the account to Chiat/Day's New York office.

Dairy board's dilemma 6
The National Dairy Promotion and Research Board, faced with a reduced ad budget, is reviewing the work of two ad agencies. D'Arcy Masius Benton & Bowles, Chicago, and McCann-Erickson, San Francisco, could lose a total of $27 million in billings.

Cadillac contradiction 12
Cadillac's long-range plan to reposition itself to a younger, more upscale audience is being undercut by local dealer groups who continue to target traditional, older buyers.

Apple's away 28
As IBM's advertising gunshots are echoing over the airwaves, all is strangely quiet on the western front—the marketing camp of Apple Computer. Cupertino, Calif.-based Apple, the second-largest personal computer marketer behind IBM, is running barely a maintenance schedule of advertising compared to IBM's estimated $50 million-plus blitz for its new Personal System/2 family of computers.

Xerox's financial expertise 39
Xerox conjures up images of copiers, but 47% of the company's profits come from financial services. To make its financial expertise known beyond Wall Street, Xerox Corp.'s Financial Services unit is appealing to the business community with a print campaign from Ciociola & Co. Advertising, New York.

FEATURES

A full crib? 72

The baby-boom generation's decision to have children has led to a population explosion among baby magazines. So many new local, regional and national parent publications have been introduced recently that some publishers are questioning whether the market is saturated. Despite new parents' "voracious appetite" for information, there may be "an information glut starting," said Jim Ritts, VP-publisher of Whittle Communications.

INTERNATIONAL

Advertising's hold in China 76
Advertising has escaped repercussions of the chill in China's political climate, say executives at international agencies. Other Western business representatives in China, however, are nervous about the new campaign, which opposes anything that might weaken the power of the Party—including Western ideas.

Beijing hosts conference 77
The People's Republic of China will play host to its first international advertising conference in June. The Beijing '87 Third World Advertising Congress is expected to bring together more than 1,000 top advertiser and agency executives from North America, South America, Europe, the Middle East and Asia.

OTHER NEWS

Orval Kent Food Co. formed a retail division to handle the expansion of its first branded product, Salad Singles, and to develop a strong standing in grocery store refrigerated sections. Guiding the program is Larry Haberkorn, 39, named president of the new retail division. Page 24.

Pharmaceutical giant Hoffmann-LaRoche will introduce a drug test that it says screens out substances that can hide drug abuse. Page 32.

Advertising is not confined to producing long-range results, according to a study by the Advertising Research Foundation. Page 82.

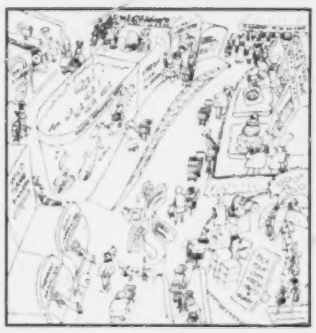
It's time to turn away from the megamergers that racked the advertising industry last year and get back to business as usual, according to the heads of two major agencies. Page 85.

Telemundo Group is arming itself heavily for its planned assault on Univision, the long-dominant Spanish-language TV network. Page 88.

Eastman Kodak Co. is spending an estimated $40 million through yearend to introduce a theme with a personal touch for its Kodacolor VR-G film. Page 92.

The 1988 elections are a year and a half away, but one labor union already is putting $1 million into a campaign to rekindle liberal feelings. And a conservative group has targeted its first liberal legislator in new ads. Page 93.

SPECIAL REPORT



Grocery marketing—*Responding to today's increasingly sophisticated consumers, grocery marketers are moving beyond the basics with dressed-up stores, new services and premium products.*

REGULAR FEATURES

ACCOUNT CHANGES	38	DIRECT MARKETING	36	PRESSTIME	8
ADWHIRL	104	EDITORIAL	16	PUBLIC RELATIONS BEAT	83
AGENCY PEOPLE	37	FOR THE RECORD	107	REGIONAL NEWS	86
BACK PAGES	56	FORUM	18	T.N.T., THE NEXT TREND	60
BOB GARFIELD'S AMERICA	60	LETTERS	20	U.S. NEWSWATCH	4
BRADY	64	MEDIAWORKS	96, 98	WORDS	64
BRADY'S BUNCH	92	NEW PRODUCT ROUNDUP	84	WORLD NEWS ROUNDUP	3
CHRISTOPHER	78	NEW PRODUCTS	106		
CON-SID-ERATIONS	16	OBITUARIES	39, 83		
CONSUMER WATCH	89	PARTING SHOT	68		
CORRECTIONS & CLARIFICATIONS	8	PEOPLEWORKS	94		
CURRENTS	42	PHOTO REVIEW	90		

FIGURES TO FILE

NEWSPAPER ADVERTISING INCHES, FEBRUARY 1987-86 74

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Toothpastes challenging P&G's Crest

By NANCY GIGES

New York—Colgate-Palmolive and Lever Bros. are putting a double squeeze on Procter & Gamble Co.'s market-leading Crest toothpaste, with challenges to its superiority claims for tartar control and cavity fighting.

Colgate broke a network TV spot April 30 claiming its Colgate tartar-control product is "proven better than tartar control Crest at fighting ugly tartar buildup." The three-week ad blitz is backed by spending at an annual rate of $125 million.

Lever is claiming, in new TV :15s from SSC&B, that its Extra Strength Aim is a more effective cavity fighter than Crest. Print ads say the new Aim contains 50% more fluoride than standard toothpastes. It also attacks Colgate in a 15-second TV spot and has asked both Colgate and P&G to drop their fluoride-superiority claims (AA, April 27).

Colgate complied, saying it was busy on a more important toothpaste battlefront—tartar control. But P&G is not conceding so readily.

Cincinnati-based P&G unsuccessfully challenged Lever's Aim claims at the Food & Drug Administration, and now has filed complaints with the TV networks and the National Advertising Division of the Council of Better Business Bureaus, where the matter is still pending.

Lever Bros. received a new drug application last year from the FDA for Extra Strength Aim since, at 1,500 parts per million of fluoride, it contains higher than standard levels. Crest contains 1,100, and Colgate has 1,000.

P&G challenged Lever's superiority claims, questioning whether Lever's data showed increased cavity protection, said Gerald Rachanow, FDA deputy director of the division of over-the-counter drug evaluation.

But the FDA was satisfied with Lever's data.

A P&G spokeswoman said the

(Continued on Page 110)

Carnation cuts commissions

By JENNIFER PENDLETON

Los Angeles—Carnation Co. cut the commission it pays its ad agencies by more than 10%, company sources report.

The Nestle S.A. unit acknowledged early this year it "adjusted the basis" of how it pays its agencies, but stressed the "total agency compensation pool" remains the same. Translation: Carnation wants more work for the same amount of money.

The company source said Carnation sliced the 15% commission to 12% to 13% in a cost-cutting move applying to all Carnation agencies that were being paid in that manner.

Those affected are believed to be Dailey & Associates and Foote, Cone & Belding here and SSC&B:Lintas Worldwide in New York.

Ogilvy & Mather's Los Angeles office, which has the assignment for Carnation's new Grand Gourmet dog food, is paid on a fee basis.

The company insider said the agencies "seem to be taking it in

(Continued on Page 110)

DeLaurentiis shops

Beverly Hills, Calif.—De Laurentiis Entertainment Group is talking to three agencies about its estimated $25 million media-buying account.

Bozell, Jacobs, Kenyon & Eckhardt/Pacific, Los Angeles, won the account a year ago (AA, March 17, 1986). Sources said the movie company is considering BBDO Worldwide and DMB&B Entertainment, runners-up to Bozell last year, as well as Western International Media.

At Bozell this week, Richard Jarc, former management supervisor at DDB Needham/West, takes over as management supervisor on the DEG account.

DDB Needham/West Exec VP-Creative Director Robert Kuperman denied reports he will move up to president, and president Alan Pando to chairman, following the anticipated retirement of chairman Montgomery McKinney. The Los Angeles unit oversees DDB Needham offices in the western U.S.

West Coast News

L&A Juice Co., Downey, Calif., begins a nine-week southern California TV campaign for Fifth Avenue Seltzer today with the theme "So good they named a street after it."

The campaign, the first from new agency Admarketing, Los Angeles, will expand nationally later.

Separately, L&A this month begins national rollout of Langers Sparkling Juices, a line of carbonated fruit juices, and California Splash, a mineral water flavored with fruit juice. Couponing, handled in-house, will support.

Dairy board may churn agencies

DMB&B, McCann head for review

By JANET MEYERS

The National Dairy Promotion and Research Board, facing a reduced ad budget, is reviewing work of two agencies that have handled the board since it was founded three years ago.

D'Arcy Masius Benton & Bowles, Chicago, and McCann-Erickson, San Francisco, could lose a total of $27 million in billings.

In a surprise move, the dairy directors at their recent monthly meeting decided in a closed session to review two accounts—the $20.9 million cheese account, now at DMB&B, and the $5.6 million milk account aimed at children, now at McCann.

The Arlington, Va.-based board says it is reviewing agencies because of budget problems, not dissatisfaction with its shops. However, sources last week said some board members are particularly unhappy with DMB&B's "Cheese, glorious cheese" campaign.

In another blow to DMB&B's dairy billings, the board also decided that, at this point, it will not renew its $5 million ice cream campaign next year.

The dairy board faces a 15% budget cut for fiscal 1988, which starts Sept. 1, and will have only $56 million for advertising.

This year it had a $65 million budget, which was split among three agencies.

The board's budget is dropping because milk production, on which assessments are based, has declined.

DMB&B has handled dairy advertising since 1974 for the Chicago-based United Dairy Industries Association, the group that represents regional and local dairy promotion groups.

The agency currently has close to $50 million in billings from national and UDIA dairy advertising.

The California Milk Advisory Board, Modesto, has used McCann since 1981. The agency handles more than $25 million in dairy advertising from the California and national groups.

The two separate reviews will pit the board's existing agencies against one another.

Grey Advertising, New York, which handles the board's $7 million butter campaign; DMB&B; McCann; and several outside agencies will be invited to recommend new strategy for the two campaigns, said George deJager, VP-market evaluation and research for the dairy board.

"This doesn't speak badly of the existing agencies," Mr. deJager said. "It's a matter of good business sense. With less money to work with, we're reviewing everything we're doing."

However, Mr. deJager added that the board is eager to see new creative strategies, including ways to stretch the board's more limited dollars.

The review will start in late May and be completed by late summer. Mr. deJager said the accounts probably will not be consolidated at one agency.

DMB&B's adult-oriented milk advertising, themed "America's health kick," won't be put in review because UDIA funds the creative costs on that advertising.

(Continued on Page 103)

My husband loves to travel.
Scandinavia last year... this year China.
I'd rather vacation at our summer home.
He's a patron of the arts. I'm a big supporter of PBS.
But for in-depth coverage of world news,
we both agree on The Christian Science Monitor.

Readers of The Christian Science Monitor. They've got the time. They've got the money. And they spend it.

Take a look.

46% of Monitor readers vacationed abroad during the last three years. **35%** own real estate in addition to their primary residence. **78%** attended cultural events during a single year. And **54%** gave to Public Broadcasting last year.*

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For more information, contact your Sawyer Ferguson Walker Representative.

*SOURCE: ERDOS and MORGAN, Inc., 1985 Subscriber Study.

THE CHRISTIAN SCIENCE MONITOR®

The average Monitor reader—anything but average.

Shell Oil pitching for plastic

By JENNIFER LAWRENCE

HOUSTON—Shell Oil Co., the nation's leading gasoline marketer, today challenges its four closest competitors in a $10 million ad campaign designed to boost credit-card sales.

For the next six weeks, Shell will honor credit cards from Amoco, Chevron, Exxon and Mobil. Holders of those credit cards are being urged to apply for a Shell card.

The campaign, which represents about one-third of Shell's total annual ad spending, makes the point that those rival gasoline marketers charge credit-card users more for gas, while Shell charges the same price to cash and credit-card customers.

Shell decided in 1982 not to offer discounts for cash purchases, and today it has 8 million active credit-card accounts, which Shell says is the largest credit-card base of any oil company.

The company expects the six-week "honor select" program to increase its credit-card base by 5% to 10%. The program is similar to the 1982 "honor all" approach launched in response to the industry's move toward cash discounts. Shell says that effort yielded about 2 million new credit-card holders for the company.

A 30-second TV spot from Ogilvy & Mather will air in 40 markets. Print and point-of-pur-

(Continued on Page 107)

CORRECTIONS & CLARIFICATIONS

- A reference to *Semester* in a story on campus publications (AA, April 6, P. 32) listed its previous owner, Ziff-Davis Publishing Co. The publication now is owned by American Passage Media Corp., Seattle.
- Due to a production error, April linage for *Travel & Leisure* (AA, April 20, P. 89) was omitted. The numbers: 112.8 ad pages for April 1987; 97.7 pages for April 1986; 375.5 pages for '87 year-to-date, and 427 pages for '86 year-to-date.
- The print ad created for the Berghoff Restaurant, Chicago, was produced by Morgan Howarth Photography, not in-house as previously reported (AA, April 20 P. 72MW).

SALARY SURVEY

Table 2

1986 Distribution of total cash pay increases

All matched employees, all agencies

Percent increase	Number receiving increases	Percent receiving increases	
0%	108	26.9%	26.9%
1%	8	2.0	17.7%
2	4	1.0	
3	16	4.0	
4	16	4.0	
5	27	6.7	
6%	14	3.5	29.0%
7	23	5.8	
8	25	6.2	
9	21	5.2	
10	19	4.7	
11	7	1.8	
12	7	1.8	
13%	10	2.5	14.2%
14	10	2.5	
15	8	2.0	
16 to 20	29	7.2	
21 to 25%	20	5.0	12.2%
Over 25	29	7.2	
Total	**401**	**100%**	

Source: ©1987 by Cole Surveys, Inc.

Table 3

1986 Percent receiving base salary and total cash pay increases

All matched employees, all agencies by billing size group

Source: ©1987 by Cole Surveys, Inc.

(Continued from Page 1)

(32.2%) of their base salary. This year, however, less than half (48.0%) of the top executives in these positions were awarded bonuses averaging 33.8% of base pay.

- For some executives, bonuses made all the difference. One ceo whose agency bills less than $25 million saw his modest salary of $52,000 blasted into the total cash stratosphere with a $285,000 bonus —548% of base salary! While his base salary ranked 128th among chief executives in independent agencies, his total cash of $337,000 earned him a respectable 11th-place finish among his peers.
- Last year we reported that of the 10 highest-paid ceos (all of them heads of independent agencies or conglomerates), eight received a cash bonus and two didn't. This year was a repeat—once again, eight of the 10 highest-paid ceos, with total pay ranging from $404,800 to $600,000, received an incentive. These eight ceo bonuses alone averaged $136,525 and totaled more than $1 million: $1,092,200, to be precise, or 22.6% of the ceos' combined base salary of $4,824,700.
- Creative directors drew bonuses at a clip that rivaled the ceos. Sixty-six of 157 creative directors (42.0%) got bonuses averaging 26.7% of base salary. The rewards for the best creative talents were especially evident in the larger agencies billing over $100 million, where more than half of the creative heads (52.2%) received bonus checks that averaged 25.9% of base salary, or $48,000 each. Average total take-home pay for creative directors in the big agencies: $221,600.
- Although performance-related incentives can be found in agencies of all sizes, the percentage of top managers who actually get one rises in a remarkably consistent, stair-step pattern based on agency size. In the agencies that bill up to $5 million, one in four executives (24.5%) got one. This figure rises to 30.6% in agencies billing $5 million to $10 million; to 34.8% in agencies billing $10 million to $25 million; and to 44.7% in agencies billing $25 million to $100 million. In agencies with billings in excess of $100 million, one in two executives (49.9%) received bonus pay on top of their base salaries.
- In contrast to the size group pattern that governs bonus distribution, the average bonus-to-base ratio is reasonably consistent across all size groups. The average incentive for those who received one stands at about 22% of base salary, regardless of agency size. Only in agencies with billings of $5 million to $10 million, where the average bonus edges up to just over 30% of base, is there any significant deviation from the 22% standard. (See Table 4.)

The bottom line on bonuses: A total of 990 of the 2,667 executives, or 37.1%, received a cash bonus in 1986, a slightly smaller percentage than the 40.9% who received one in the previous year. Bonuses for those who got one averaged 22.1% of base salary, or $16,200—virtually identical to 1985's average bonus of 21.7% of base, or $16,500. Twenty-eight executives received a bonus of $100,000 or more, up from 16 six-figure incentives reported in 1985.

Base-salary increases: From one extreme to the other

To get the most precise reading of top-management salary increases, we tracked the average base-salary increase from Oct. 1, 1985, to Oct. 1, 1986, for each "matched" employee in the sample (those reported in both last year's survey and this year's study, identified by individual employee number).

The average 1986 base-salary increase for all matched executives was 8.2%; those who received an increase did considerably better, averaging 13.6%. Ad execs who received a pay hike made enormous gains on the cost of living: The 13.6% average increase was more than *nine times* higher than the 1.5% increase in inflation over the same period, and compares favorably with top-management increases in most other industries.

With inflation at a virtual standstill, most executives who got any increase at all made some progress on the cost of living.

Nevertheless, the averages don't tell the full salary-increase story:

- Although 26% of the executives got no salary increase, another 16% received a pay hike of between 1% and 5%, which means that 42% of those reported received increases of 5% or less. This large proportion of small increases pulled down the average salary raise for all execs, offsetting the large number of good-size increases that were also awarded.
- The biggest increases were distributed by the largest agencies. Agencies billing more than $100 million (Group E) gave an average base salary increase of 9.4% to 76% of their top executives; the average raise for those who received one was a very healthy 16.6%.
- In the midsize agencies, those with billings of $10 million to $100 million, the average raise was more modest: 7.5% in Group D ($25 million to $100 million) and 6.1% in Group C ($10 million to $25 million). In both size groups, the average pay hike for executives who received one was 11.1%. While nearly four of every five execs (78%) in Group D got an increase, only three of five (62%) were so favored in Group C.
- Similar raises were awarded in the smaller shops with billings up to $10 million: 7.0% in Group A (up to $5 million) and 6.4% in Group B ($5 million to $10 million). The discrepancy in salary-hike distribution—how many actually got raises —is especially stark in the smallest agencies. In Group A, little more than half of the executives (57%) received a raise; 43% got zilch. Those who got an increase averaged 12.9%.

Table 4

1986 Incentives

Percent receiving and incentives as a percent of base salary

Billing size group	% receiving	% of base
A: up to $5 mil.	24.5	24.7
B: $5 mil. to $10 mil.	30.6	30.4
C: $10 mil. to $25 mil.	34.8	23.7
D: $25 mil. to $100 mil.	44.7	19.2
E: over $100 mil.	49.9	22.2
All agencies	**37.1**	**22.1**

Source: ©1987 by Cole Surveys, Inc.

Total cash increases: Bonuses mark the trend

Even more than the base salary raises, the 1986 total cash (base salary plus bonus) increase results were remarkably varied. While hundreds of executives were awarded huge cash bonuses, boosting their base salaries by thousands, tens of thousands and even hundreds of thousands of dollars, others saw their incentives reduced or eliminated altogether.

As with the base-salary increases, we tracked the average total cash increase for each "matched" executive (reported in both the 1985 and 1986 surveys). We calculated these bonuses, which in most cases were paid in early 1986 for calendar-year 1985 performance, as a percentage of the October 1986 base salary.

- For matched executives, the average total cash increase was only 7.1%, *lower* than the 8.2% increase in base salary alone—a clear sign that agencies across the country sharply reduced their bonuses from the 1985 levels. Seventy percent of all ad executives reported in both the 1985 and 1986 studies received *no increase* or took cuts in their bonus pay.
- Bearing the brunt of the bonus *cutbacks* were executives in the smaller agencies, those with under $10 million in billings. In the $5 million-to-$10 million group, one in three (32%) had their bonuses cut or eliminated. In the smallest agencies, those billing up to $5 million, the cuts were even deeper: One in two (52%) of those who got a bonus in 1985 had their bonuses slashed or eliminated.
- The average base-plus-incentive increase in the smallest agencies was only 1.6%, just about even with the 1.5% rise in inflation. Only 49% of these execs got an increase in total cash; most got no raise or took a pay cut. Executives in the $5 million-to-$10 million group fared no better: The total cash increases for the 81% who got one were almost entirely offset by the 19% who took a pay cut, resulting in an overall increase of just 0.2%.
- The severe cutbacks in the two smallest-size groups pulled the overall average total cash increase down to 7.1%. The larger agencies, those billing more than $10 million, gave somewhat larger total cash increases, about 7.7% on average. Although only three of four executives in the larger companies received an increase in total pay,

(Continued on Page 48)

Participation higher in 2nd annual survey

Participation in the annual Cole/Advertising Age survey more than doubled in the past year: 221 agencies participated, up 140% from 92 in our initial study. The agency sample includes 21 multi-unit headquarters, 173 independent agencies, 23 subsidiaries and four branches.

Smaller agencies, those billing up to $10 million, are the fastest-growing part of the sample: 117 participated, more than triple the 35 that submitted data last year. In the $10 million-to-$100 million class, the number of participants more than doubled, to 86 from 42. Also participating were 18 agencies with billings of more than $100 million (including three of the top 10), up from 15; the larger agencies each billed an average of $751 million, up 36% from $553 million last year.

Because the smaller agencies are a larger percentage of the sample, the average total cash figure for all executives fell 5%. However, the average total earnings of "matched" executives, those reported in both last year's survey and this year's, is a far more accurate way to size up the year-to-year change. Their total cash pay rose 7.1% from $89,800 to $96,200.

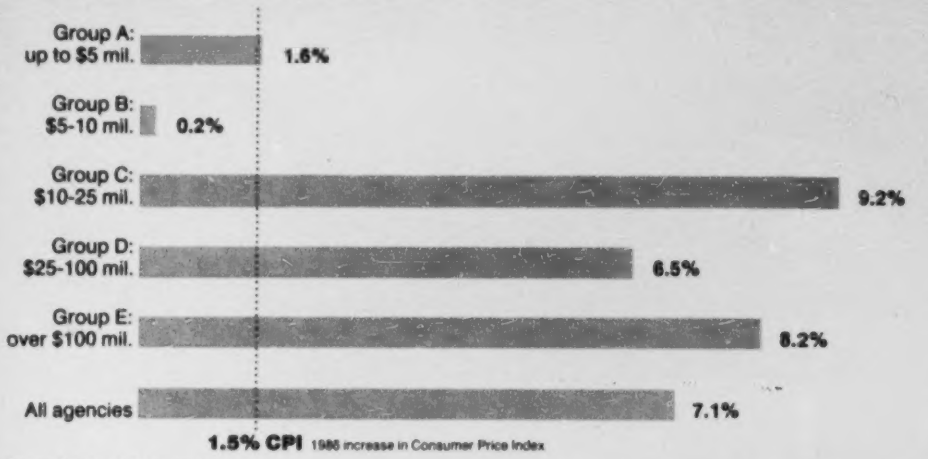
For more information about the sample and the survey methodology, see Page 52.

SALARY SURVEY

Table 5

1986 Total cash pay increases vs. CPI

All matched employees, all agencies by billing size group



Source: ©1987 by Cole Surveys Inc.

Table 6

1986 'Hall of Fame'

Highest reported total cash pay by position

Rank and position	Total compensation ($000)
1. CEO II, independent	$600.0
2. CEO I, subsidiary	530.4
3. Creative director	500.0
4. President and chief operating officer	476.0
5. Chief financial officer	415.2
6. Branch office manager	340.0
7. Business development manager	335.0
8. Director of account management	330.0
9. Media director	330.0
10. Executive vice president	299.0
11. Associate creative director	239.0
12. Market research manager	210.0
13. Senior account executive	198.0
14. Broadcast production manager	167.0
15. Public relations manager	133.0
16. Senior copywriter	130.0
17. Associate media director	112.3
18. Traffic manager	100.0
19. Senior art director	93.5
20. Print production manager	88.0

Source: ©1987 by Cole Surveys, Inc.

(Continued from Page 46)
those who did all cracked double digits, averaging 12.1% in agencies billing $10 million to $25 million, 12.2% in agencies billing $25 million to $100 million and 17.5% in agencies billing over $100 million. (See Table 5.)

- Independent-agency ceos were on the bottom of the bonus pile in 1986, and their results exemplified the larger trend: Those who got, got big, and were offset by those who got nothing.

The independent ceos' average total cash increase was only 0.5%—50% of them received an increase averaging 17%, but the other 50% got no increase or took a pay cut.

- Other executives who received total cash increases averaging 5% or less included chief financial officers (5%) and exec VPs (4.0%). Presidents/chief operating officers also exemplified the broader trend: In agencies billing up to $10 million, none got a raise and their average cash pay was chopped 14%; in the agencies billing more than $10 million, 89% of the presidents received an increase that averaged 16%.

And that's why we call this year's results a mixed bag!

Highest paid by position: Up, up and away

No discussion of the survey results by position would be complete without a visit to the "Hall of Fame"—our list of the highest total cash paid to each of the 20 survey positions. (See Table 6.)

It's important to note that the Hall of Fame features a revolving door—the highest-paid in any one position in any given year is often not the same person who occupied the position during the previous year.

Besides documenting how much agencies are actually willing to pay the best and the brightest in each position, the Hall of Fame indicates how ad agencies value these 20 top management positions in relation to one another.

Four of last year's five highest-paid positions made the top five list again: ceo II (independent), president/chief operating officer, creative director and chief financial officer.

The ceo I (subsidiary) position now occupies the No. 2 slot, up from No. 6 last year; this year the highest-paid ceo I's total earnings were $530,400, 65% more than the $322,300 earned by last year's highest-paid ceo I. Dropping out of the top five to 10th place was the exec VP position.

The creative director position also moved up a couple of notches; the highest-paid earned total cash of $500,000, nearly 50% more than last year's high of $335,000. The highest-paid chief financial officer on this year's list earned total cash compensation of $415,200, underscoring the importance of the fiscal and control function in the advertising world.

Total cash for the five highest-paid positions ranges from the chief financial officers's $415,200 to the ceo II's $600,000.

The second five (the sixth-through-10th-highest-paid) includes three repeaters from last year—branch office manager, director of account management and media director—along with business-development manager (a position new to this year's survey) and the exec VP position.

Only $41,000 separates the sixth-highest-paid position (branch office manager, at $340,000) from the 10th highest-paid (exec VP, at $299,000).

Although the remaining 10 positions show little movement from last year's rankings, generally up or down a notch, there was real movement in some of the total cash figures.

For example, the highest-paid traffic manager's total cash was $100,000 this year, a 78% advance from last year's high of $56,200; the top-paid senior account executive earned $198,000, up 55% from $127,500 last year and the highest-paid associate creative director made $239,000, up 44% from $167,500 a year ago.

Whereas last year the highest-paid in five positions earned less than $100,000, this year only two of the top-paid—the senior art director ($93,500) and the print production manager ($88,000)—failed to reach six figures.

Table 7

1986 Summary of CEO perquisites

Percent receiving

Billing size group	Company car	Supplemental medical insurance	Pension	Supplemental retirement	Stock option
A: up to $5 mil.	78%	49%	29%	6%	9%
B: $5 mil. to $10 mil.	83	43	17	13	20
C: $10 mil. to $25 mil.	84	51	36	7	13
D: $25 mil. to $100 mil.	82	59	51	13	23
E: over $100 mil.	86	64	50	29	50
All agencies	81	52	34	10	17

Source: ©1987 by Cole Surveys, Inc.

The highest cash pay reported in the survey, $613,600, was received by an executive whose responsibilities did not fit into one of the 20 defined positions.

Position results: Billing size remains key factor

Note: Differences in figures in text and charts (Table 8, and ceo arrays in Table 13) are caused by exclusion of some unrepresentative data from chart calculations.

Although geography (particularly an agency's proximity to major ad centers like New York or Los Angeles), organizational structure, corporate "culture" and a host of other variables can influence compensation, agency size remains the primary determinant of salary and bonus levels in the ad industry. Here's an overview of who made what in each of the 20 benchmark positions (See Table 8).

Overall agency management

Chief executive officers (II and I): For agency heads, there's more to the pay picture than meets the billfold: Cash may be only a part of the chief executive's total compensation pa kage.

Other perquisites, such as a set of company-paid wheels, often come with the territory. (See Table 7.)

For example, four of every five ceos (81%) drive a company car, and a majority of chief executives (52%) receive supplemental medical insurance.

Other "perks" received by advertising's chief executives include pension (34%), stock options (17%) and supplemental retirement benefits (10%).

For perks as well as pay, agency size makes a real difference. In the largest companies, for example, half of the ceos (50%) receive pensions and 50% get stock options; in the smallest agencies, 29% of the ceos receive pensions and fewer than one in 10 (9%) gets stock options.

Ceo pay levels rise steadily, and then sharply, as agency billings increase.

Independent-agency heads (ceo IIs) average total cash of $78,900 in the smallest-size group, $113,400 in the $5 million-to-$10 million group, $131,600 in the $10 million-to-$25 million group and $192,600 in the $25 million-to-$100 million group.

But the ceo II's total take-home pay really takes off in the largest agencies, soaring to $425,200—which is more than twice the average in the next-smallest-size group. (See Table 8.)

Averages don't tell the whole story, however; exceptions can be found at both ends of the pay spectrum.

For example, the $10 million-to-$25 million group includes a ceo II who made $464,500 last year—about two and one-half times more than the size group average, and nearly $40,000 more than the average for chief executives in the largest agencies.

A similar size-group pattern can be discerned in the compensation of subsidiary-company ceos.

The 11 ceo I's in the $25 million-to-$100 million group averaged total cash of $227,300, while those in the largest agencies averaged $354,400.

The $227,300 total cash for subsidiary ceos in agencies billing $25 million to $100 million is nearly $35,000 more than the average for independent ceos in the same size group.

This is a phenomenon often observed in industries where large organizations merge with or acquire smaller companies.

The larger companies extend their higher pay structures to the subsidiary ceo's, thus pushing their average pay beyond that earned by the ceos of independent organizations. We are just beginning to see this trend in the advertising industry and, as the trend develops, we can expect to see steadily increasing base salaries, bonuses, benefits and perks for ceos of independent

(Continued on Page 52)

Index of compensation study tables

Table 1: Distribution of total cash pay increases, Page 1
Table 2: Distribution of total cash pay increases, Page 46
Table 3: Percent receiving salary and total cash pay increases, Page 46
Table 4: Incentives—percent receiving and as a percent of base salary, Page 46
Table 5: Total cash pay increases vs. CPI, Page 48
Table 6: Hall of fame—highest total cash pay reported by position, Page 48
Table 7: Summary of CEO perquisites, Page 48
Table 8: Executive positions—national summaries, Page 51
Table 9: Aggregate of top 10 as a percent of billings, Page 52
Table 10: 10 highest paid in top management-average cash pay by billing size, Page 52
Table 11: 1985-1986 participation by billing size, Page 52
Table 12: 1986 survey demographics, Page 54
Table 13: CEO national results, Page 56

Table 8

Executive positions: national summaries of 1986 total cash compensation

All agencies, by billing size group

	Group A: up to $5 mil.	Group B: $5 to $10 mil.	Group C: $10 to $25 mil.	Group D: $25 to $100 mil.	Group E: over $100 mil.
Position 013-001: Chief executive officer II, independent					
Agencies	65	22	39	21	9
Incumbents	64	22	39	21	8
Quartile 3	$90.0	$150.8	$140.0	$223.8	$567.5
Weighted average	$78.9	$113.4	$131.6	$192.6	$425.2
Agency average	$78.9	$113.4	$131.6	$192.6	$425.2
Median	$67.2	$99.2	$105.6	$174.7	$417.5
Quartile 1	$50.0	$78.0	$85.0	$131.2	$309.3
Position 013-002: Chief executive officer I, subsidiary					
Agencies	2	1	3	11	3
Incumbents	2	1	3	11	3
Quartile 3	—	—	—	$252.8	—
Weighted average	$55.1	$108.0	$61.7	$227.3	$354.4
Agency average	$55.1	$108.0	$61.7	$227.3	$354.4
Median	—	—	—	$225.0	—
Quartile 1	—	—	—	$165.6	—
Position 013-005: President and chief operating officer					
Agencies	23	12	16	22	9
Incumbents	22	13	16	22	9
Quartile 3	$81.0	$115.7	$147.5	$225.0	$405.0
Weighted average	$62.8	$91.5	$118.7	$174.7	$328.9
Agency average	$62.8	$94.5	$118.7	$174.7	$328.9
Median	$52.0	$77.2	$89.0	$172.4	$319.5
Quartile 1	$40.9	$67.5	$71.0	$112.6	$269.7
Position 013-008: Branch office manager					
Agencies	7	6	8	10	11
Incumbents	6	8	9	19	19
Quartile 3	$32.5	$87.9	$109.0	$110.0	$200.0
Weighted average	$28.8	$61.2	$79.4	$88.9	$180.2
Agency average	$28.8	$63.1	$80.2	$108.9	$190.7
Median	$29.8	$54.0	$76.3	$74.0	$179.4
Quartile 1	$23.0	$39.9	$45.2	$50.0	$160.1
Position 013-009: Executive vp					
Agencies	29	16	28	23	9
Incumbents	30	23	36	38	16
Quartile 3	$72.6	$115.1	$99.5	$121.3	$193.8
Weighted average	$54.7	$88.8	$81.4	$107.6	$175.8
Agency average	$56.3	$81.7	$84.0	$112.9	$195.6
Median	$46.6	$75.0	$76.5	$100.0	$166.7
Quartile 1	$32.8	$67.5	$58.4	$91.8	$125.1
Position 810-210: Chief financial officer					
Agencies	33	17	34	30	12
Incumbents	33	17	34	30	12
Quartile 3	$38.0	$47.3	$63.4	$84.3	$226.8
Weighted average	$31.5	$43.6	$55.0	$72.7	$187.8
Agency average	$31.5	$43.6	$55.0	$72.7	$187.8
Median	$28.4	$37.4	$48.5	$65.3	$190.0
Quartile 1	$24.0	$28.0	$38.9	$50.3	$104.1
Position 810-241: Traffic manager					
Agencies	23	17	24	18	10
Incumbents	23	17	24	19	11
Quartile 3	$22.0	$27.7	$31.0	$42.0	$42.5
Weighted average	$20.6	$22.9	$26.3	$36.4	$39.2
Agency average	$20.6	$22.9	$26.3	$36.9	$39.3
Median	$20.0	$20.0	$25.0	$33.0	$38.0
Quartile 1	$17.9	$17.4	$20.0	$25.0	$30.0
Position 810-303: Creative director					
Agencies	35	18	29	37	13
Incumbents	34	18	32	50	19
Quartile 3	$50.5	$75.0	$90.0	$140.0	$284.8
Weighted average	$40.0	$66.4	$73.3	$114.1	$234.3
Agency average	$40.0	$66.4	$75.3	$122.4	$251.6
Median	$35.0	$61.0	$68.1	$91.3	$220.9
Quartile 1	$26.5	$53.0	$55.0	$63.3	$146.8
Position 810-305: Associate creative director					
Agencies	13	12	17	28	10
Incumbents	12	15	25	58	32
Quartile 3	$39.4	$60.0	$73.5	$100.0	$145.3
Weighted average	$33.9	$50.9	$58.1	$81.6	$121.2
Agency average	$33.9	$51.9	$54.9	$83.5	$121.1
Median	$31.0	$47.5	$50.0	$75.0	$105.0
Quartile 1	$26.1	$45.0	$41.0	$55.2	$95.5
Position 810-307: Senior art director					
Agencies	50	20	32	31	9
Incumbents	63	25	48	54	31
Quartile 3	$32.7	$41.0	$48.4	$63.3	$75.0
Weighted average	$26.2	$35.8	$42.6	$51.6	$63.3
Agency average	$26.3	$37.2	$41.9	$52.2	$67.0
Median	$24.5	$36.1	$40.0	$48.8	$61.6
Quartile 1	$19.9	$28.8	$33.8	$39.6	$52.4
Position 810-310: Senior copywriter					
Agencies	31	14	29	28	9
Incumbents	34	17	36	49	26
Quartile 3	$30.5	$39.8	$50.0	$67.0	$77.3
Weighted average	$25.8	$33.7	$41.4	$53.5	$68.0
Agency average	$25.6	$32.5	$41.5	$55.3	$70.2
Median	$25.9	$35.0	$40.0	$48.0	$66.0
Quartile 1	$19.9	$27.5	$30.3	$42.0	$57.0
Position 810-330: Media director					
Agencies	36	21	31	31	12
Incumbents	36	21	31	39	12
Quartile 3	$32.6	$47.1	$59.0	$80.0	$183.8
Weighted average	$26.0	$36.4	$44.6	$61.0	$154.5
Agency average	$26.0	$36.4	$44.6	$66.3	$154.5
Median	$27.0	$35.5	$43.0	$56.0	$138.0
Quartile 1	$18.5	$25.9	$34.6	$41.4	$109.5
Position 810-332: Associate media director					
Agencies	10	5	19	19	9
Incumbents	11	7	21	27	17
Quartile 3	$21.3	$24.0	$35.0	$52.7	$95.3
Weighted average	$19.1	$20.7	$29.7	$44.1	$75.8
Agency average	$19.0	$22.1	$29.4	$44.6	$73.6
Median	$17.5	$19.2	$30.0	$44.1	$73.5
Quartile 1	$16.0	$16.5	$20.1	$37.5	$58.4
Position 810-336: Broadcast production manager					
Agencies	7	5	7	16	11
Incumbents	7	6	7	17	11
Quartile 3	$32.0	$36.6	$43.0	$78.9	$152.0
Weighted average	$27.8	$29.8	$35.9	$61.5	$89.4
Agency average	$27.8	$30.3	$35.9	$63.4	$89.4
Median	$25.4	$28.5	$33.5	$60.0	$61.0
Quartile 1	$22.4	$21.0	$30.5	$34.9	$54.0
Position 810-338: Print production manager					
Agencies	28	19	24	32	8
Incumbents	28	28	20	25	39	8
Quartile 3	$25.0	$39.0	$42.5	$48.5	$78.9
Weighted average	$22.7	$32.3	$36.6	$42.8	$56.7
Agency average	$22.7	$32.1	$35.5	$45.1	$56.7
Median	$22.0	$31.7	$33.0	$43.0	$53.8
Quartile 1	$18.1	$28.1	$28.7	$32.7	$36.5
Position 810-360: Public relations manager					
Agencies	19	15	24	20	9
Incumbents	18	16	26	21	9
Quartile 3	$30.9	$47.2	$57.9	$57.5	$115.6
Weighted average	$26.5	$39.8	$45.6	$54.4	$84.7
Agency average	$26.5	$39.9	$44.9	$55.2	$84.7
Median	$24.0	$37.4	$42.5	$48.0	$80.0
Quartile 1	$20.0	$34.0	$35.5	$41.3	$55.9
Position 810-370: Business development manager					
Agencies	2	1	5	10	3
Incumbents	2	1	5	12	3
Quartile 3	—	—	$60.2	$145.3	—
Weighted average	$42.2	$60.0	$52.7	$93.5	$189.0
Agency average	$42.2	$60.0	$52.7	$91.0	$189.0
Median	—	—	$50.0	$77.5	—
Quartile 1	—	—	$46.5	$56.0	—
Position 810-380: Director of account management					
Agencies	17	9	22	31	12
Incumbents	16	9	28	66	24
Quartile 3	$43.5	$76.9	$73.2	$95.4	$190.6
Weighted average	$38.5	$62.1	$63.4	$83.6	$150.7
Agency average	$38.5	$62.1	$66.8	$92.8	$184.5
Median	$38.6	$60.0	$56.4	$75.0	$132.0
Quartile 1	$29.7	$44.6	$51.0	$61.3	$80.9
Position 810-382: Senior account executive					
Agencies	43	24	40	34	9
Incumbents	73	47	89	146	60
Quartile 3	$42.0	$50.0	$57.0	$70.0	$95.0
Weighted average	$35.0	$40.6	$48.9	$60.7	$82.9
Agency average	$34.7	$39.3	$47.4	$60.9	$80.5
Median	$32.5	$40.0	$44.0	$55.0	$80.5
Quartile 1	$25.8	$30.0	$40.0	$44.9	$54.6
Position 810-390: Market research manager					
Agencies	7	2	5	22	12
Incumbents	7	2	5	25	17
Quartile 3	$50.8	—	$69.0	$69.7	$105.5
Weighted average	$44.0	$52.1	$52.5	$62.8	$92.5
Agency average	$44.0	$52.1	$52.5	$63.0	$103.9
Median	$37.0	—	$48.0	$60.0	$83.0
Quartile 1	$35.0	—	$38.3	$52.3	$64.8

Source: ©1987 by Coie Surveys, Inc.

SALARY SURVEY

Table 9

1986 Aggregate of top 10 total cash compensation

As a percent of billings

Billing size group	Aggregate of top 10 total compensation	Average billings	Aggregate as a percent of billings
A: up to $5 mil.	$333,200	$2.1 mil.	15.9%
B: $5 mil. to $10 mil.	538,700	7.3 mil.	7.4
C: $10 mil. to $25 mil.	656,800	15.8 mil.	4.2
D: $25 mil. to $100 mil.	1,031,100	48.9 mil.	2.1
E: over $100 mil.	1,991,900	750.9 mil.	0.3

Source: ©1987 by Cole Surveys Inc.

Table 10

1986: 10 highest paid in agency management

Average total cash pay by billing size group

	Group A: up to $5 mil.		Group B: $5 mil. to $10 mil.		Group C: $10 mil. to $25 mil.		Group D: $25 mil. to $100 mil.		Group E: over $100 mil.	
	Total comp.	% of top 10	Total comp.	% of top 10	Total comp.	% of top 10	Total comp.	% of top 10	Total comp.	% of top 10
Highest	$70,400	21.1%	$109,700	20.4%	$132,400	20.2%	$203,700	19.8%	$345,300	17.4%
Second	48,800	14.6	78,000	14.5	101,700	15.5	152,900	14.8	278,700	14.0
Third	34,200	10.3	63,600	11.8	75,500	11.5	123,100	11.9	238,100	12.0
Fourth	29,800	8.9	55,200	10.2	63,700	9.7	102,600	10.0	213,800	10.7
Fifth	27,500	8.3	48,300	9.0	56,500	8.6	89,300	8.7	183,500	9.2
Sixth	26,100	7.8	45,000	8.4	51,200	7.8	81,600	7.9	165,300	8.3
Seventh	25,700	7.7	40,400	7.5	47,700	7.2	74,700	7.3	151,400	7.6
Eighth	25,000	7.5	35,200	6.5	45,300	6.9	71,600	6.9	141,600	7.1
Ninth	23,500	7.1	32,000	5.9	42,100	6.4	67,200	6.5	139,900	7.0
Tenth	22,200	6.7	31,300	5.8	40,700	6.2	64,400	6.2	134,300	6.8
Total	**333,200**	**100.0**	**538,700**	**100.0**	**656,800**	**100.0**	**1,031,100**	**100.0**	**1,991,900**	**100.0**

Source: ©1987 by Cole Surveys Inc.

(Continued from Page 48)

and subsidiary agencies alike.

Independent and subsidiary heads drew comparable bonuses in comparable numbers this year. Subsidiary ceos, who tend to work for the larger agencies, had a slight advantage: 50% received incentives averaging 46.2% of their base pay, while 43.6% of the independent chiefs got bonuses averaging 39.3% of base.

President/chief operating officers, exec VPs: Although presidents/chief operating officers and exec VPs have somewhat similar responsibilities, the survey results indicate a distinct difference in their compensation—one that becomes especially pronounced in the largest agencies.

For the 83 presidents/chief operating officers in the survey, total cash compensation ranges all the way from $23,500 in one of the smallest agencies to $476,000 in one of the largest. Total pay for presidents/chief operating officers rises on a curve similar to the ceo curve, moving up gradually in the three smallest-size groups ($62,800 in Group A, $91,500 in Group B, $118,700 in Group C, then jumping to an average of $174,700 in Group D ($25 million to $100 million) and $328,900 in the Group E (over $100 million) agencies.

The 144 exec VPs received total cash of $94,000 on average, 31% below the $136,100 figure for presidents. The cash gulf separating exec VPs and presidents/chief operating officers is narrow in the smaller agencies, but widens considerably in the biggest companies—average total cash for exec VPs is 13% less than presidents' pay in the smallest agencies, but is 31% less in Group C, 38% less in Group D and 49% (or more than $160,000) less in the Group E agencies.

Forty-one percent of the presidents/chief operating officers received a bonus averaging 39.6% of base, equal to the independent ceos' average of 39.3% of base. In agencies billing more than $100 million, two-thirds (66.7%) of the presidents/chief operating officers got bonuses averaging one-third (33.6%) of base.

More than half (52.1%) of the exec VPs got bonuses, though their average 26.8% of base was considerably smaller than the average bonus amounts for ceos and presidents.

Branch office managers: The 62 branch office managers reported in this year's survey averaged $105,000 in total cash, $180,200 in agencies billing more than $100 million. The highest-paid branch head, who manages an office in the $25 million-to-$100 million group, earned a total of $340,000.

Thirty-six of the 62 (58.1%) received an incentive in 1986, a higher proportion than in any other survey position; their average incentive was 21.6% of base salary.

Financial management

Chief financial officers: As we noted earlier, the highest-paid chief financial officer made $415,200 in 1986. In agencies that bill over $100 million, the chief financial officer's average total cash of $176,000 tops the exec VP's average of $168,700 and nearly equals the branch head's total of $180,200; most chief financial officers in agencies billing less than $100 million earn quite a bit less than most exec VPs and branch heads. The average total cash for all 126 chief financial officers in this year's study was $64,200.

Nearly four of every 10 chief financial officers (38.9%) earned a bonus that averaged 24.3% of their base pay.

Creative management

Creative directors and associate creative directors: Like chief financial officers, the top creative heads can earn compensation that rivals the highest-paid in any position. Forty-five of the 157 creative directors (28.6%) earned more than $100,000 in 1985, eight made over $250,000 and four topped $400,000.

Although the highest-paid creative director in agencies billing less than $5 million earned $100,000, the average total cash for creative heads in the smallest agencies is $39,400, a figure that rises to $66,400 in Group B, $75,500 in Group C and $114,100 in Group D. In agencies with over $100 million in billings, creative heads earn an average of $221,600—second only to ceos.

Bonuses for creative directors averaged 26.7% of base salary and were distributed to 42.0% of those reported.

Total cash compensation for the 144 associate creative directors in this year's survey averaged $78,400; associate creative heads in Group E agencies earned $118,700 on average. Although a slightly higher proportion of associates (43.1%) received bonuses than their bosses, their average incentive of 11.8% was less than half the 26.7% awarded to the top creative person.

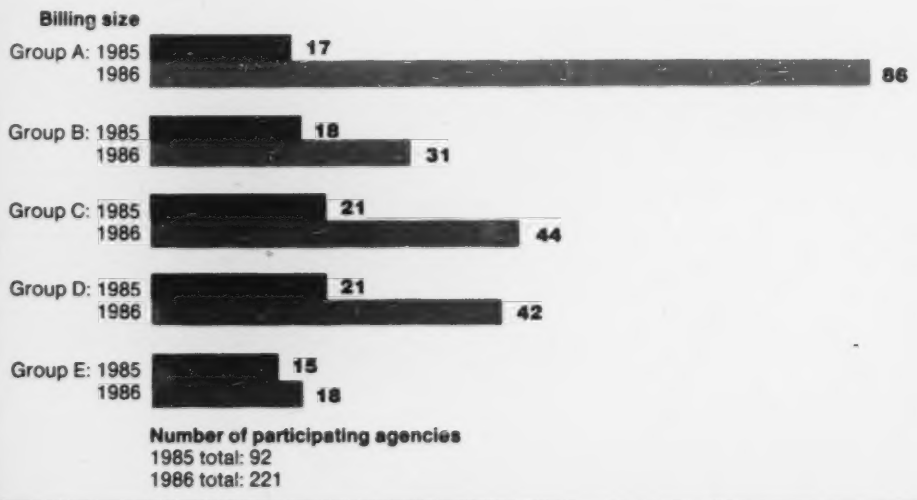
Senior art directors and senior copywriters: If the pay figures for these positions are any indication, advertising agencies put equal emphasis on design and copy—only

(Continued on Page 54)

Table 11

1985-86 Survey participation

By billing size group



How salary data were gathered for this survey

This second annual Survey of Top Management Compensation was conducted by Cole Surveys in cooperation with Advertising Age. The survey is designed to provide a timely, accurate analysis of the industry's top-management compensation while maintaining the confidentiality of participants.

A total of 221 agencies participated in this year's survey, more than double the 92 agencies that submitted data last year. The sample includes 21 independent and subsidiary headquarters, 173 independent agencies, 23 subsidiaries and four branch offices. (See Table 11.)

This year's sample runs the gamut of agency size, from small shops to some of the country's largest agencies. The largest agency in the survey reported billings of $3.5 billion, while the smallest reported just under $1 million. The 86 agencies that bill less than $5 million average $2.1 million; the 18 that bill over $100 million average about $750 million. We used total billings as the indicator of agency size, and divided the survey participants into five billing-size groups: Group A (up to $5 million); Group B ($5 million to $10 million); Group C ($10 million to $25 million; Group D ($25 million to $100 million); and Group E (more than $100 million).

Survey participants also were divided into the four regions used by Advertising Age. All four regions showed an increase in participants this year (See Table 12).

A total of 2,667 executives were reported this year, up 61% from last year's total of 1,654. Of the 2,667, 2,510 (or 94%) were slotted in one of the 20 defined "benchmark" positions. The remaining 157 executives were judged by their agencies to have duties other than those described for the 20 defined positions.

Each agency submitted the following data: Base salary as of Oct. 1, 1986, and incentive paid in 1986 for 1985 performance.

The arrays for Position 013-001, CEO II-Independent, and Position 013-002, CEO I-Subsidiary, present detailed agency results in a visual display. Cole has sent each company that submitted data a code sheet with its own confidential code. This allows each participating agency to see its CEO's pay ranking in relation to its billing ranking.

The position arrays are presented by billing size groups. At the top of each size-group display is summary information, such as weighted and agency averages, the median, the first and third quartiles and the number of agencies and incumbents. Total cash compensation data, as of Oct. 1, 1986, are shown from highest to lowest in each size group. The arrays display *all* figures reported, including the highest and lowest; to avoid distortion of the database, unusually high or low figures have been "lopped," or excluded, from the averages shown in the summary information.

Each agency that submitted data will receive total compensation arrays for several top-management positions.

Complete survey results, including base salary and total cash pay arrays for all 20 positions, are available in a comprehensive report prepared by Cole Surveys. Participating agencies can receive complete, individualized survey results in a "Confidential Report" that features displays comparing its own data to that of two peer groups, or "clusters," of other participating agencies.

Agencies that did not participate in this year's survey but would like to obtain the complete results of the study may order a non-individualized, off-the-shelf "Cole Edition" that contains detailed salary and incentive information (including arrays) on all 20 positions. This version is available for $245.

The entire staff at Cole Surveys worked on the design, data diagnosis and production of this study. Computer programs were prepared for the Advertising Age study by Ann Oppenheimer and Connie Gay. Justina Larson and Ed Reilly were responsible for project management. Mary Twomey assisted with data management and diagnosis. Suzanne Mancuso provided editorial support.

To order the "Confidential Report" or "Cole Edition," or for information on participating in future compensation surveys, call Ed Reilly at (617) 542-3341.

SALARY SURVEY

(Continued from Page 52)

$3,100 separates the average earnings of our 222 senior art directors ($42,100) and 162 senior copywriters ($45,200).

Although the artists have a slight edge in the four size groups with billings up to $100 million, the writers have the advantage in agencies that are billing more than $100 million, earning total cash averaging $67,300, compared to $62,200 that is paid to the art directors.

The art directors and senior writers also compete head-to-head for bonus pay—25.7% of the design chiefs earned an incentive averaging 6.3% of base salary, while 22.2% of the writers earned a bonus averaging 5.8% of base.

Business development, account management

Business-development officers: The business-development officer position is new to this year's survey.

In a hotly competitive industry like advertising, the person who can land new accounts plays a pivotal role, and these officers' earnings prove it.

The highest-paid new-business head took home a total of $335,000 in 1986.

The total cash earnings of business-development officers rose from an average of $34,600 in the smallest agencies to $83,700 in agencies billing $25 million to $100 million.

In the largest agencies, the new-business officer's average total cash of $178,400 puts him on a par with chief financial officer's $176,000.

Nearly one of every two development officers (47.7%) received a cash incentive averaging 20.9% of base salary; in agencies billing over $100 million, four of the five business-development heads reported got substantial cash bonuses—$33,800, or 20.3% of base.

Directors of account management and senior account executives: In agencies billing up to $10 million, the average earnings for directors of account management are within several thousand dollars of the creative directors' total compensation; above $10 million, however, the creative heads have a considerable advantage over the account directors, earning 19% more on average in agencies billing $10 million to $25 million, 37% more in agencies billing $25 million to $100 million and 47% more in agencies billing more than $100 million.

The 144 directors of account management averaged total cash of $84,000 in 1986; in the largest agencies, the average take-home was $150,700.

The highest-paid account director earned $330,000.

Fifty-six of the 144 account managers (38.9%) earned a bonus averaging 22.7%.

The 415 senior account executives averaged $54,600, and 41.9% received bonuses of 12.2% of base salary.

Total cash earnings for senior account execs don't vary by the extreme amounts common to other positions.

For example, senior account execs and directors of account management make about the same amount of money in the smallest agencies—account execs and account directors earn total cash of $35,000 and $36,900, respectively, in agencies billing less than $5 million; in agencies billing more than $100 million, however, the account directors' average total pay is $150,700, nearly twice the senior account exec's average of $80,800.

Media

Media directors and associate media directors: Media directors and their associates can make big bucks, but for these specialists—more so than for other ad execs—the really big bucks are in the big agencies.

While the average earnings of media directors range from $26,000 in agencies billing up to $5 million to $61,000 in agencies billing $25 million to $100 million, the average pay for directors shoots up to $154,500 in agencies billing more than $100 million, where the highest-paid media head collected total cash of $330,000 in 1986.

Associate media directors in the largest agencies earn a total of $72,700 on average, which is nearly two-thirds more than associate directors in the next-smallest size group.

The average earnings of the 139 media directors reported in the survey were $52,600; 32.4% were awarded incentive pay averaging 15.7% of base salary (in the largest agencies, three-quarters of the directors got an average bonus of over 20%).

The 83 associate media directors averaged $41,700 in total cash, and 28.9% received bonuses of 9.9% of base.

Production

Broadcast production managers and print production managers: Total earnings for broadcast production managers are closely bunched in the three size groups with billings up to $25 million (averaging $27,800 in Group A, $29,800 in Group B and $35,900 in Group C), and then rise to $61,500 in agencies billing $25 million to $100 million.

In agencies billing more than $100 million, a total-cash "chasm" separates the highest-paid broadcast chiefs; who earn at least $134,000 each, from the remaining group, none of whom earns more than $63,600.

The average pay of the 120 print production managers ranged moderately by agency size, from $22,700 in Group A to $55,100 in Group E.

The highest-paid print production head earned $88,000.

The broadcast production and print production chiefs had similar bonus results: 31.3% of the broadcast managers earned an average incentive of 14.7%, and 30.0% of the print managers earned an incentive of 9.2% of base.

Market research

Market research managers: The average total cash for market research heads starts at a relatively high $44,000 in agencies billing up to $5 million and rises to $92,500 in the largest agencies, where the highest-paid research chief earned $210,000.

Agencies in the two size groups billing more than $25 million account for most of the incumbents in this position (42 of 56) and virtually all of the bonuses (20 of 21, averaging 9.5% of base in Group D and 15.2% in Group E).

Public relations

Public relations managers: Average total compensation for PR heads starts at $25,700 in the smallest agencies, ranges from $39,800 to $54,400 in the three size groups with billings of $10 million to $100 million, and peaks at $83,800 in the largest agencies.

Five PR chiefs earned more than $100,000 in 1986. Thirty-eight of the 91 PR managers earned bonuses averaging 10.3%.

Traffic

Traffic managers: Average pay for traffic managers varies little by size group, averaging $20,600, $22,900 and $26,500, respectively, in Groups A, B and C, and $36,400 and $37,800, respectively, in Groups D and E.

About one of four traffic managers received a bonus averaging 8.1% of base salary.

For traffic managers, like other advertising professionals, anything's possible—the highest-paid traffic manager earned $100,000 in 1986.

Measuring competitiveness; Top 10 total comp in aggregate

How much does an agency's top management team cost?

In our first study we looked at the aggregate total cash compensation paid to the 10 highest-paid executives in each agency size group.

Organizational structures and reporting relationships can vary significantly from one agency to the next, and the top 10 total provides a way to measure the overall competitiveness of an agency's executive pay structure without regard to the titles or functions of the individual executives.

Here, as in the position comparisons, billing size has the greatest impact on executive pay. The average top 10 total compensation ranges from $333,200 (or $33,320 per executive) in the smallest-size group (agencies billing up to $5 million) to $1,991,900 (or $199,190 per executive) in the largest group (agencies billing more than $100 million). (See Table 9.)

Of course, what an agency actually pays its top 10 is often much more (or less) than the size group average.

For example, although the average top 10 cash pool in the largest agencies is $1,991,900, some of these agencies pay a lot more than that.

Of the 18 agencies reported in Group E, three pay their top 10 executives more than $3,000,000; the highest top 10 total reported, $4,620,000, is 132% higher than the Group E average.

Variation from the size-group average is just as evident in the smaller size groups.

In Group A, the highest top 10 total reported is $710,500, or 113% more than the $333,200 average; in Group B, the highest is $1,041,000, or 93% more than the $538,700 average; in Group C, the highest is $1,255,000, or 91% higher than the $656,800 average; and in Group D, the highest is $2,381,200, or 131% higher than the $1,031,100 average.

Top management: Relative to billings, still a good buy

Another way to look at the cost of top management is top 10 total cash in relation to agency billings. In the past year, the top 10 total as a percent of billings has changed very little, rising by 0.3 percentage points or less in the four smallest size groups and declining by 0.1 percentage points in the largest size group.

In the four largest size groups, the top 10 price tag ranges from 0.3% of billings in the largest agencies to 7.4% of billings in the $5 million-to-$10 million size group. Even the company carrying the highest top 10 aggregate ($4,620,200) pays a mere 2.7% of its billings to the top 10.

In the smallest size group, top 10 total cash averages 15.9% of billings, up from 15.6% last year and a considerably bigger chunk of billings than in the four larger size groups.

The recent wave of mergers involving the smaller agencies may well reflect efforts to trim these proportionately higher management costs. But even in the smallest companies, top management is still a good buy.

The highest-paid executive in the Group A agencies, usually the ceo, receives an average of $70,400 in total cash, a mere 3.3% of Group A average billings ($2,131,000).

As we noted last year, executive compensation in advertising doesn't increase in direct proportion to agency size.

For example, in 1986 it cost $1,031,100 to pay the top 10 in an agency billing $48.9 million (Group D) and $1,991,900, less than double, to pay the top 10 in an agency that's about 15 times larger—one billing $750.9 million (Group E). While the difference in average billings between the two groups is $702 million, the difference in their top 10 cash outlay is $960,800; in other words, for every million dollars of additional billings, the top 10 total increases by only $1,369 ($960,800 divided by 702) or an average of $137 per executive.

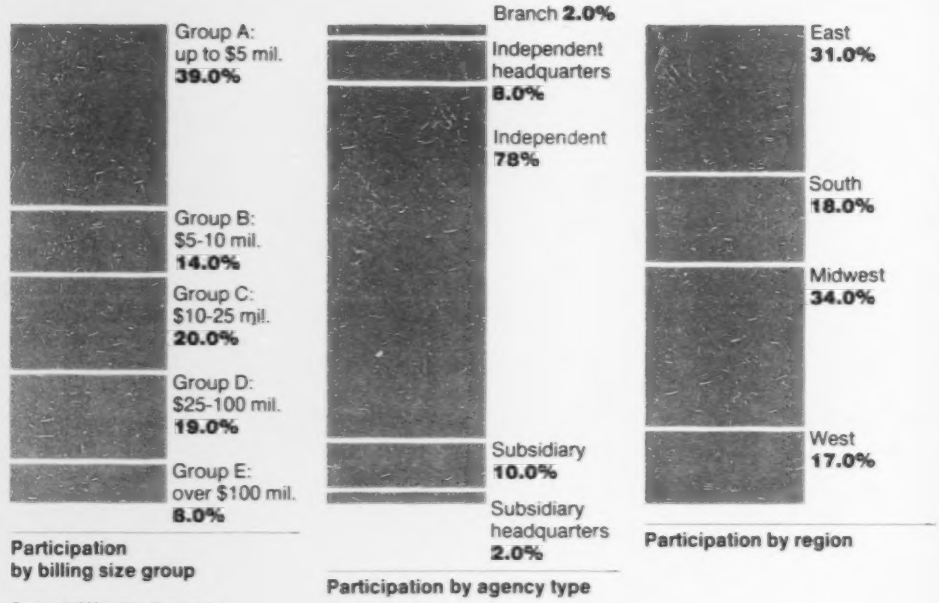
Highest-paid executive gets 17% to 21% of top 10 total

One constant in the annual survey results is the relationship of each top 10 executive's pay to the top 10 total.

The highest-paid executive receives about 17% to 21% of the total, regardless of agency size; the fifth-highest-paid executive gets 8% to 9% of the top 10 total; the 10th-highest paid receives 6% to 7%. This remarkable consistency extends to every type of agency in every size group. (See Table 10.)#

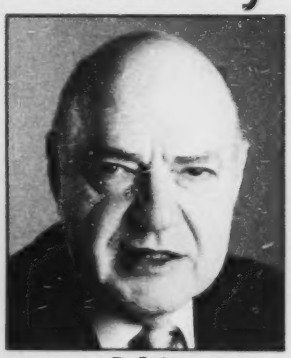
Table 12

1986 Survey demographics



Source: ©1987 by Cole Surveys Inc.

Cole Surveys looks at many industries



B. Cole

BOSTON—Ben Cole is president-founder of Cole Surveys and a VP-director of parent The Wyatt Co.

Established in 1956 and a recognized leader in the compensation survey field, Cole's participants include the top 100 financial institutions. The Wyatt Co. is an international benefits, compensation and risk-management company with offices in 55 cities in the U.S., Canada and overseas.

The co-author of this report, Matt Sizing, is Cole senior editor.#

SALARY SURVEY

Table 13

1986: Chief executive officer total cash compensation

All agencies, by billing size group

Chief executive officer, II independent

Group A: up to $5 mil.

Agencies	65
Incumbents	64
Quartile 3	$90.0
Weighted avg.	$78.9
Agency avg.	$78.9
Median	$67.2
Quartile 1	$50.0

Rank	Agcy. code†	Avg. pay	BSG rank
1	TQ0	203.0	10
2	VR1	200.0	27
3	B4N	191.9	20
4	R2C	180.0	1
5	1BJ	161.9	8
6	DD3	150.0	11
7	G7Z	150.0	42
8	A9E	146.0	56
9	N1Y	140.0	9
10	2DJ	121.5	25
11	JP4	110.9	35
12	Q9K	108.8	2
13	C8F	98.0	18
14	I2A	96.0	26
15	X6Z	90.0	54
16	P8K	90.0	57
17	3ED	90.0	64
18	S0H	86.0	3
19	2GD	85.0	46
20	CC3	83.0	60
21	ZI3	80.0	19
22	UD6	79.0	13
23	LY6	79.0	38
24	9YE	78.0	49
25	I8X	75.0	7
26	OJG	74.0	45
27	QU3	72.9	24
28	BI0	72.5	4
29	IZ5	72.0	48
30	2HE	68.6	21
31	7SG	68.5	29
32	0UQ	67.3	31
33	3ZK	67.0	37
34	C2P	65.0	6
35	W2E	65.0	15
36	2KO	64.0	14
37	2VN	62.0	17
38	S0G	60.0	33
39	EN7	60.0	50
40	9FI	58.0	16
41	6WV	57.2	59
42	QR4	56.8	5
43	6AO	55.0	44
44	H4I	54.0	30
45	5KH	53.0	34
46	Q8Y	51.3	39
47	5NX	50.0	23
48	B4C	50.0	36
49	Q7I	50.0	43
50	L4O	49.0	41
51	F3Q	48.5	58
52	ZA9	48.0	53
53	YM5	46.5	55
54	UT9	45.7	52
55	1YI	45.0	32
56	4NJ	43.6	22
57	RW7	43.0	28
58	TC7	42.5	47
59	1KK	36.0	51
60	U4N	35.0	63
61	OF2	34.5	40
62	X4W	33.6	62
63	4HV	26.4	65
64	I7W	25.0	12
65	QK9	20.0*	61

Group B: $5 mil. to $10 mil.

Agencies	22
Incumbents	22
Quartile 3	$150.8
Weighted avg.	$113.4
Agency avg.	$113.4
Median	$99.2
Quartile 1	$78.0

Rank	Agcy. code†	Avg. pay	BSG rank
1	1TQ	234.0	9
2	L4P	200.0	12
3	1ZM	175.0	6
4	8BJ	175.0	7
5	1CX	153.0	3
6	J1C	150.0	16
7	O5A	128.0	4
8	LT8	120.3	20
9	LK3	120.0	18
10	2YF	102.6	10
11	U3D	100.0	5
12	1FX	98.4	15
13	M4J	96.0	13
14	G3S	87.8	8
15	K1H	79.9	2
16	J6R	78.0	1
17	PJ8	78.0	17
18	NG7	77.8	21
19	A8T	75.0	19
20	U5M	64.1	11
21	7RY	60.0	22
22	H9E	42.5	14

Group C: $10 mil. to $25 mil.

Agencies	39
Incumbents	39
Quartile 3	$140.0
Weighted avg.	$131.6
Agency avg.	$131.6
Median	$105.6
Quartile 1	$85.0

Rank	Agcy. code†	Avg. pay	BSG rank
1	G6O	464.5	4
2	O7X	337.0	5
3	T4J	239.9	20
4	ZE1	233.6	12
5	BM1	200.0	10
6	Q9R	188.9	34
7	E8I	176.8	13
8	C6A	150.0	14
9	8PB	140.0	8
10	6ZL	140.0	15
11	FF7	137.8	2
12	1HO	136.3	35
13	QX3	132.0	23
14	P5P	130.0	33
15	TO0	126.0	39
16	YK3	125.0	31
17	3YD	119.5	17
18	D8D	119.0	21
19	AK8	110.0	30
20	6WK	105.6	6
21	KI9	105.0	9
22	D9L	104.0	36
23	BL4	102.0	25
24	H7K	100.0	7
25	Q5U	100.0	38
26	I3I	98.5	19
27	KD1	90.0	18
28	SG5	90.0	27
29	U9P	87.5	37
30	0OS	85.0	16
31	X1D	79.2	3
32	3WC	78.0	29
33	4FL	75.0	1
34	3GB	75.0	22
35	GA9	75.0	28
36	3XC	75.0	32
37	JN4	70.4	26
38	I0Y	66.6	11
39	EJ2	65.0	24

Group D: $25 mil. to $100 mil.

Agencies	21
Incumbents	21
Quartile 3	$223.8
Weighted avg.	$192.6
Agency avg.	$192.6
Median	$174.7
Quartile 1	$131.2

Rank	Agcy. code†	Avg. pay	BSG rank
1	0WI	450.0	1
2	U8B	350.0	5
3	0XB	260.0	3
4	E5Q	255.0	10
5	9HU	240.0	13
6	MC9	207.5	16
7	X2E	200.0	2
8	9XN	200.0	11
9	0WV	182.0	6
10	8UM	175.0	12
11	9YM	174.7	19
12	S2S	172.9	7
13	P3D	165.6	14
14	H2M	145.0	15
15	PA2	132.0	9
16	ZW3	131.4	20
17	LJ3	131.0	21
18	K1M	127.6	18
19	IT2	125.0	17
20	5CG	115.0	4
21	6AW	104.0	8

Group E: over $100 mil.

Agencies	9
Incumbents	8
Quartile 3	$567.5
Weighted avg.	$425.2
Agency avg.	$425.2
Median	$417.5
Quartile 1	$309.3

Rank	Agcy. code†	Avg. pay	BSG rank
1	7YU	600.0	
2	KG2	590.0	
3	5QI	500.0	
4	FO1	420.0	
5	KX0	415.0	
6	FU3	365.7	
7	5SF	290.5	
8	E6G	220.0	
9	YF8	87.5*	

The billing ranking in this size group is omitted to preclude identifying survey participants.

†Agency code: See box on Page 52

Chief executive officer I, subsidiary

Group A: up to $5 mil.

Agencies	2
Incumbents	2
Quartile 3	—
Weighted avg.	$55.1
Agency avg.	$55.1
Median	-
Quartile 1	-

Rank	Agcy. code†	Avg. pay	BSG rank
1	9RD	60.0	1
2	ET5	50.1	2

Group B: $5 mil. to $10 mil.

Agencies	1
Incumbents	1
Quartile 3	-
Weighted avg.	-
Agency avg.	-
Median	-
Quartile 1	-

Rank	Agcy. code†	Avg. pay	BSG rank
1	D3F	108.0*	1

Group C: $10 mil. to $25 mil.

Agencies	3
Incumbents	3
Quartile 3	-
Weighted avg.	$61.7
Agency avg.	$61.7
Median	-
Quartile 1	-

Rank	Agcy. code†	Avg. pay	BSG rank
1	6CN	85.0	2
2	6WK	60.0	1
3	D8D	40.0	3

Group D: $25 mil. to $100 mil.

Agencies	11
Incumbents	11
Quartile 3	$252.8
Weighted avg.	$227.3
Agency avg.	$227.3
Median	$225.0
Quartile 1	$165.6

Rank	Agcy. code†	Avg. pay	BSG rank
1	P7N	530.4	2
2	PZ2	325.0	5
3	9ZT	252.8	9
4	8PE	245.0	3
5	2IN	235.0	1
6	A6R	225.0	11
7	E4M	179.0	7
8	1NG	170.0	8
9	D0N	165.6	4
10	O6B	100.0	6
11	LJ3	72.0	10

Group E: over $100 mil.

Agencies	3
Incumbents	3
Quartile 3	-
Weighted avg.	$354.4
Agency avg.	$354.4
Median	-
Quartile 1	-

Rank	Agcy. code†	Avg. pay	BSG rank
1	S0J	450.0	
2	QK4	404.8	
3	8DZ	208.3	

The billing ranking in this size group is omitted to preclude identifying survey participants.

Source: ©1987 by Cole Surveys Inc.

*Due to unrepresentative nature of the data, this figure is excluded from calculation of the averages.

Back Pages

From past issues of Advertising Age

50 Years Ago This Week—1937

New York—Dominant newspaper and magazine advertising had been started for French's mustard, popularizing a new advertising character, Hot Dan the mustard man. The campaign was the biggest ever for a mustard.

A Hot Dan mustard spoon was given free with each purchase of a jar of the mustard.

The spoon, made of beetleware and molded in Hot Dan's image, was offered to avoid the annoyance of wiping mustard from the handles of spoons or paddles that frequently fall into the mustard and also to avoid mustard on tablecloths and napkins.

40 Years Ago—1947

New York—Regional councils and chapters of the American Association of Advertising Agencies sponsored the first annual examinations to screen young people for advertising careers.

The two-part examination consisted of an aptitude test and a knowledge test.

If the candidate was willing, his test results were circulated to member agencies in the area. The candidates were not told that success on the examination would result in their getting jobs, but it was expected that many would be helped by the plan.

30 Years Ago—1957

New York—Lovers of that rare ambrosial distillate known as Jack Daniel's Tennesse sour mash whiskey, which was so hard to get, were happy to learn that production had been stepped up 50% over 1955.

Consumers also were told that perhaps by 1961 supply would begin to catch up with demand.

Advertising was intended to take the "heat off the retailer," who couldn't meet consumer demand, and to prevent consumers from getting distorted ideas because of the shortage.

Window cards, counter cards and handouts for customers explained the shortage and were headlined "We'd rather ask your patience than lose your respect for Jack Daniel's."

20 Years Ago—1967

New York—Creative Playthings, a CBS Toy subsidiary, marketed a Little Brother doll, which came without clothes and was anatomically correct.

The company stated that after test-marketing overseas, "Children in Europe are apparently undisturbed by the whole affair."

10 Years Ago—1977

Washington—The Food & Drug Administration ordered warning labels to appear on dozens of aerosol products containing chloroflourocarbon propellants. The order said that warning labels must tell consumers that the spray product "contains a chloroflourocarbon that may harm the public health and environment by reducing ozone in the upper atmosphere."

Certain drug products, including over-the-counter sprays for asthma, were exempted because the use of chloroflourocarbons in them was deemed essential.

Compiled by Kevin Brown, Sandra Davis and Julie Doherty.

Special Report

Ted Carr

From piano to sushi bars, grocers jazz up service

By Denise Frenner

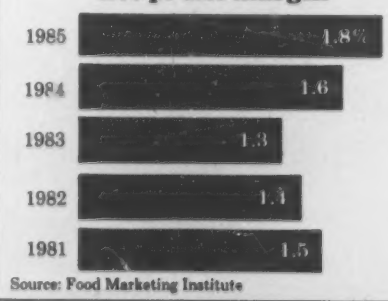
It used to be simple. Grocery marketers, like all retailers, held fast to the notion that success meant being "all things to all people." This weary axiom also implied that consumers' needs were basic and predictable, and could be easily satisfied without much imagination on the retailers' part.

No longer. While good prices, a convenient location and speedy checkout service always will be important, today's increasingly sophisticated consumers want a little more from their supermarkets than just the basics.

"They want to be pampered," says Larry Schaeffer, editor and executive producer of Stamford, Conn.-based "Supermarket Insights," an industry video magazine. "And they don't have to be rich to have these desires."

Frank Panyko, VP of The Food Institute, Fairlawn, N.J., says this change is partly because of consumers' pent-up desire for quality. "In the 1970s and early 1980s, with high inflation and a sluggish economy, many people couldn't afford quality items," he says. "Now that the economy is healthier, we can afford to talk upscale. The timing is right. The trend may have started years ago in affluent areas, but now it's moving more into the mainstream."

U.S. supermarket industry's net profit margin



Source: Food Marketing Institute

In response to more quality-conscious consumers and amid media proclamations of a dwindling middle class, grocery stores of all formats—from superwarehouses to upscale superstores—are moving up with the market.

Retailers are adding drama and sizzle to their operations with such amenities as full-service seafood departments, "from-scratch" bakeries, gourmet prepared foods and catering departments, specialty foods, and in-store restaurants complete with sushi bars, jazz pianists and wine stewards.

While the trend toward upgrading and upscaling isn't new, such activities appear to be on the

(Continued on Page S-2)

Grocers jazz up service

(Continued from Page S-1)

rise. Simultaneously, generic products and the spartan, limited-assortment warehouse stores selling fewer than 1,500 items are stepping down.

There are no statistics on how many of the nation's supermarkets practice high-style retailing, largely because "upscale" isn't a studied format, but a concept that can be applied to any store.

However, 55% of chain-store executives surveyed by *Progressive Grocer*, a Stamford, Conn.-based trade publication, say they anticipate abnormally fast proliferation of upscale stores in the near future, compared with 48% who said the same last year.

"There definitely are more upscale formats every year," says David Litwak, research director for New York-based *Supermarket Business*, an industry trade publication. "The industry follows whatever trends society is going through. If a segment of society is upscaling, so will supermarkets to serve that segment."

Mr. Litwak adds that competition in most market areas is fierce, and that retailers are doing anything they can to differentiate themselves and secure a niche.

"In the average community," says Mr. Schaeffer, "a retailer successfully can operate an upgraded store, with increased services and specialty foods, as long as the shopper perceives value for his dollar."

Progressive Grocer also reveals that only 11% of the surveyed chain-store executives were likely to stress generics in 1987, compared with 14% in 1986 and 28% in 1985. Further, the publication reports that limited-assortment warehouse stores started off with a bang that is now a whimper.

The format currently comprises 0.2% of all supermarkets in the U.S., the smallest percentage of any format operating today.

Perhaps the study's most dramatic, if not staggering, statistic concerns supermarket services. Fully 82% of the executives say they plan to add or expand service departments in 1987, compared with 75% in 1986 and 68% in 1985.

This comes as little surprise. As a recent cover story in *Time* pointed out, personal service has become an endangered commodity in the U.S. marketplace; consumer frustration is at an all-time high.

"Service has deteriorated here. Outside of the U.S., it's much better," says Jeanne Maraz, executive director, National Association for the Specialty Food Trade, New York. "Lots of stores are beefing up their services now; the marketplace requires it."

Mr. Schaeffer, in fact, says there is a retransfer of labor from the shopper back to the retailer. "Often, these things are cyclical. Everyone talks about the origins of the first self-service supermarket—with shoppers pushing carts and helping themselves to items on the shelves—started by Piggly Wiggly in 1928. Now, 60 years later, retailers are bringing service back."

> ***"One of the ways [grocers] are trying to make shopping more exciting and fun is by upgrading stores."***
>
> **Larry Schaeffer**
> **"Supermarket Insights"**

A parallel push toward the high end is coming from food manufacturers, many of whom are introducing upscale line extensions and entering the prepared foods arena with fresh, premium products.

"This business is consumer driven," says Mr. Schaeffer. "Grocery marketers don't put products in stores hoping consumers will buy them. They make products available because consumers have asked for them. Most research has shown that the purchase of specialty, gourmet products isn't done just by the affluent. People like to eat well."

Upgraded and upscaled operations are one of the grocery industry's major niches today, adds Mr. Schaeffer. He says it's likely the trend will continue.

"Like it or not, most shoppers find the shopping experience boring. Many retailers are realizing that price alone isn't enough to be successful. You have to have a lot more. One of the ways they're trying to make shopping more exciting and fun is by upgrading stores, providing services and catering to the community.

He streases that as supermarkets add services, their operating costs rise. Labor, grocery retailers' largest operating expense—62.8%, according to a 1984-85 Cornell University study—becomes even more intensive with additional services. Mr. Schaeffer says the challenge, which most upscale retailers are successfully meeting, is to balance the added labor costs against the returns.

Such extras, however, are designed to broaden the customer base, keep shoppers in the store for a longer time period, and get them to spend more money.

"It's all part of the fine-tuning of grocery retailing," he says.

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In a fragmented market, grocers cover the niches

By Cynthia Valentino

Ask any tracker of consumer buying patterns and he'll tell you: There's no longer a creature called "the typical consumer." The buying public has become segmented, splintering into various groups and subgroups, each with its own needs and preferences.

In response, many large supermarket chains, as well as some small ones, operate a variety of formats ranging from price-driven warehouse stores to upscale specialty stores.

"Existing formats weren't accomplishing retailers' sales objectives," says Willard Bishop, head of the Barrington, Ill.-based food-industry consultancy bearing his name. Further, he says, "The industry interpreted that problem in view of the fragmentation of the marketplace. Retailers recognized the need to differentiate themselves from other stores in their trading area." By shifting up or down, many supermarkets are now specialized, rather than being "just plain vanilla," he says.

Cynthia Valentino, a Westwood, N.J.-based free-lance writer, is a former special sections editor for Supermarket News.

The "upscale" concept—whether it is applied to a large, lavish superstore or a small specialty store—has become increasingly popular with retailers looking for a new niche. In fact, several companies, notably Kings Super Markets, West Caldwell, N.J., and Byerly's, Edina, Minn., have had solely upscale stores for years.

> ***"At this time, [Plano, Texas] is overstored, so we knew when we opened, we'd have to offer something different."***
>
> **Jack Evans Jr.**
> **Tom Thumb-Page stores**

Such units also are growing in popularity with conventional-store chains. Companies that have launched upscale stores within the past decade or so include A&P, Bruno's Inc., The Cullum Cos., Giant Food, Grand Union, Vons Grocery and Safeway Stores. These companies also operate conventional supermarkets or superstores; many have warehouse or superwarehouse operations as well.

The reasons for the trend toward upscaling are numerous. But one important factor is the high profit margin carried by prepared, specialty and gourmet foods, which helps increase overall store profitability while boosting store sales and sales per transaction.

A&P's Futurestores, one of the company's two upscale banners, helped boost overall profits 20% to 50%, according to analysts. William Vitulli, Montvale, N.J.-based A&P's VP-government and community relations, says the company's average per-store sales have gone up significantly in the past few years, and overall sales volume increased 18.4% in the fiscal year ending Feb. 28, 1987, compared with the previous year.

Both the Futurestores, with their dramatic black-and-white decor, and the upscale Food Emporiums acquired through A&P's 1986 purchase of the New York-based Shopwell chain, emphasize perishables and specialty products, and boast numerous service departments.

The 27 smaller Food Emporiums are a more viable format for urban locations where rents are high and space is at a premium. A&P now operates 20 Futurestores in suburban locations throughout its trading area, and will open 20 more this year, according to Mr. Vitulli.

Multi-format operators take varying approaches in advertising. A&P, for instance, uses one ad to cover three different formats—A&P conventional stores, Futurestores and Sav-A-Centers. (Advertising for A&P's Food Emporium is handled separately.)

According to Anthony Gasparro, VP-advertising for A&P, using this strategy was a "difficult decision to make, but you can only do so much because of costs." He says that general or informative ads, such as newspaper ads, which represent about 60% of the budget, cover all three formats. A&P's institutional TV advertising, using the theme introduced in May 1986, "We've built a proud, new feeling at A&P," also covers the three formats by including interior scenes of each type of store. Individual formats occasionally are given supplementary coverage via direct mail in their immediate trading areas, Mr. Gasparro says.

Birmingham, Ala.-based Bruno's operates 10 upscale combination stores called Bruno's Food and Pharmacy. Four were built from scratch; six were conversions of stores acquired from Boise-based Albertson's when that chain left Alabama in 1985. Filling about 54,000 sq. ft. each, these stores are the largest in Bruno's roster.

Despite their upscale slant, Bruno's stores are "competitively priced on regular items," says Beth Dunnaway, director-consumer affairs. Bruno's sometimes incorporates features of one format into another if the location calls for it.

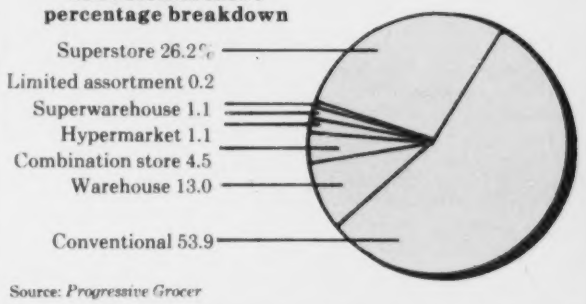
When scouting for new spots, the company's store development department determines which format would work best. "A real estate coordinator searches out potential sites, then

(Continued on Page S-10)

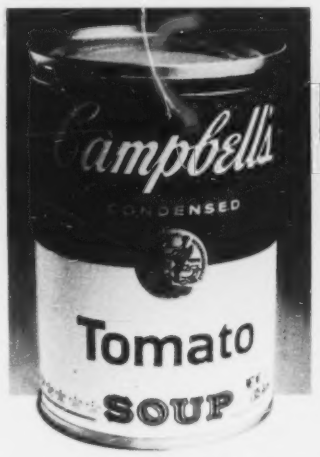
U.S. supermarkets' format share

Format	1986	1976
Economy	15.4%	1.5%
Extended	30.7	6.5
Conventional	53.9	92.0

1986 format share percentage breakdown



Source: *Progressive Grocer*



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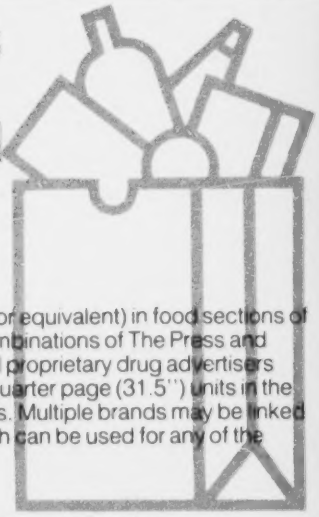

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MORNING

Store upgrade boosts sales by 72%

By W. Franklyn Joseph

Oprah Winfrey hates grocery stores, so the TV host confessed on her nationally syndicated talk show recently.

Her disdain was fully realized when, on an unspecified occasion, she experienced an I-can't-take-it-anymore-or-I'll-scream feeling at a supermarket checkout counter, and promptly proceeded to abandon a shopping cart filled with groceries.

Undoubtedly, some supermarket environments can drive shoppers senseless. But Bill Michas contends his Super Foodtown in Cedar Knolls, N.J., isn't one of them.

"People don't rush to get out," says Mr. Michas, the owner-president. "They like it here." The recently upgraded store's average sale per transaction is $18, $1.67 more than the industry's 1985 national average, according to the Washington-based Food Marketing Institute.

To entice his clientele, Mr. Michas spent $1.7 million on a remodeling project completed last June. Market research predicted a store upgrade would boost sales by 25%. The findings confirmed his perception that the Morris County suburb, whose residents have an average household income of $46,000-plus, would welcome the change.

Because 22% growth was his break-even point, Mr. Michas, not unlike other supermarket owners who rely on increasing volume to compensate for the industry's low margins, went ahead. The result was astounding: Instead of the projected 25% sales increase on the store's previous average weekly take of $185,000, Super Foodtown rings up a whopping $325,000-plus weekly.

"On average, sales are up by about 72%," says Mr. Michas. The return also betters by more than 50% the national, weekly gross average take of $206,543 in 1985, the most recent figures available from FMI.

Mr. Michas' phenomenal gains don't reflect the industry standard. "Generally, you anticipate a remodel, without expansion, will increase sales about 10%," says Barbara Barker, president and co-owner of Off The Wall, the Sellersville, Pa.-based retail interior-design company that worked on the Foodtown project. Ms. Barker says a 25%-to-30% sales increase typically is reached in cases where overall expansion occurs as a result of remodeling.

What couldn't be measured is the contribution word of mouth played in increasing customers. Mr. Michas also surmises that the seven-mile distance between his store and the nearest competitor, as well as the fact that Super Foodtown is located in a shopping mall, plays a part in the store's hefty sales increase.

"The frequency of major remodelings is going up," says Tim Hammonds, senior VP at FMI. "Customer lifestyles and demographics are changing. In order for supermarket owners to keep up with their customer base and the competition, they have to bring new services and a new look into the store more often than they would have had to 10 or 15 years ago," Mr. Hammonds says.

By reorganizing existing space, the store's selling area was increased by 1,500 square feet to 19,500 square feet, says Mr. Michas. Now, its average weekly sales per square foot are $16.66, compared with $10.28 before the upgrade and with an industry average of $8.43, according to FMI.

Foodtown's customers are greeted by the produce section, including a salad bar, followed by the service seafood department—offering up to 65 varieties of fresh fish—and service meat department. The new produce section, complete with mirrored ceilings and automatic misting devices to keep perishables fresh, was given 20% more space and returns $32,500 weekly, about "40% more than pre-upgrade sales," Mr. Michas says.

Dropped ceilings, muted lighting and customized wood display cases add to the store's unconventional ambiance. Another novel feature is cocktail jazz, piped through the store daily as a pianist entertains lunch patrons in the on-site restaurant.

The store's improvements garnered it the right to use "Super" in front of the Foodtown name. Mr. Michas' store is part of a Edison-N.J.-based, 135-member cooperative that his family bought into during the 1950s.

Mr. Michas says consumers first were suspicious that price increases would follow the renovation. However, he has won the doubters over by keeping his promise to not raise prices.

In fact, he says, "it's even easier to keep my word now because we've experienced such a dramatic volume increase, and volume overcomes everything."

Mr. Michas' staff increased significantly after the upgrade as well—71%. He relies on his 120 employees, who are knowledgeable about every area of the store, to perform customer-relations duties, with charm.

"More supermarket owners need to actively court consumers," says Off The Wall's Ms. Barker. They can realize higher profit margins, she says, by providing the additional services.

W. Franklyn Joseph is a freelance writer based in New York.

Niches

(Continued from Page S-8)

an analyst goes to the area and does research. Among other things, he plots out boundaries such as rivers and railroad tracks, which people are reluctant to cross, to see how broad a draw the store will have," she says. Extensive demographic studies also are done, and the final decision is based on "the culmination of a lot of data," says Ms. Dunnaway.

Cullum Cos., parent of Tom Thumb Super Markets and Page Drug Stores, has operated successful Tom Thumb-Page Food & Drug Centers stores for years. In May 1986, the company opened its first upscale Tom Thumb-Page unit in the Dallas suburb of Plano, Texas.

Jack Evans, Jr., president of Tom Thumb-Page stores, describes Plano as a still-developing affluent area. "At this time, the area is overstored, so we knew when we opened up there, we'd have to offer something different." Cullum is no stranger to the upscale concept: The company also operates a Simon David specialty store in Inwood, Texas, and plans to open two more.

The Plano store already had been half-built when Cullum decided to make it more upscale, Mr. Evans explains, and "therefore we had to make some compromises. The store is 55,000 square feet—about the same as the other Tom Thumb-Page stores. So to make room for the expanded service departments and gourmet products, we had to cut back on grocery and general merchandise."

Those compromises may have advantages. Bishop Allen, the VP and general manager of Simon David who also is responsible for the Plano store, says, "The fact that we were limited in space made us very selective in

(Continued on Page S-12)

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Sources: ABC Fas-Fax for the 6 months ended 9/30/86, S & MM 1986

ON THE GO!

Supermarkets nosh on gourmet foods to go

By Laurie Werner

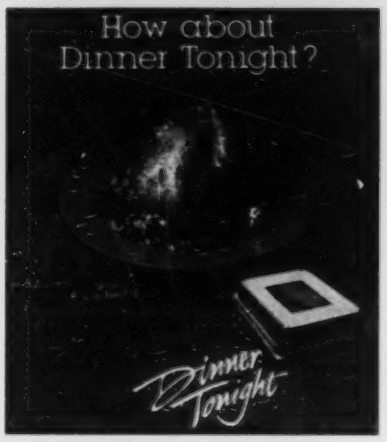
The next time you hit the supermarket deli counter you may notice a big difference. It might be larger, have dozens of freshly made, luscious-looking salads and entrees, and behind it all, in white jacket and toque, a Culinary Institute of America-trained chef.

What's happening here? Supermarket gourmet foods to go are clearly on the rise. One reason, according to industry consultant Michael Wahl, chairman of the Howard/Marlboro Group, a New York-based sales promotion company, is the competitive edge they give stores that offer them.

Laurie Werner is a New York-based free-lance writer.

"If you walk into the average supermarket, you don't know where you are," he explains. "These places all look the same. But the prepared foods department gives a store a chance to enhance its image, to create a strong, individual identity."

The primary reason grocery retailers are entering the gourmet takeout segment, however, is to capture a greater share of the food-service dollar. According to "The Lempert Report," a Belleville, N.J.-based industry newsletter, eating and drinking establishments posted a 7.9% sales increase in 1986, compared with food stores' 4.2% rise.



Finast uses FSIs to promote Dinner Tonight, its alternative to fast food.

Prepared foods, extending considerably beyond traditional deli offerings, have been termed the industry's "new frontier." Food fadism has been unfolding in America for years, as has the growing desire for convenience fueled by working women with neither the time nor desire to cook. The more recent gourmet offerings are yet another weapon in the battle for takeout business.

According to a National Restaurant Association study of 1,000 consumers, 56% bought takeout food more than twice a week; 45% relied on takeout for dinner more than twice a month. Meanwhile, a 1986 Food Marketing Institute study reveals that only 10% of consumers who regularly bought takeout food did so from the carryout section of supermarkets.

Fast-food stores and restaurants' carryout sections accounted for 81% of the business, spurring supermarkets to react. But they are wielding their new weapon in different ways.

Cleveland-based First National Supermarkets' East Coast Finast stores, for example, are

(Continued on Page S-14)

Niches

(Continued from Page S-10)

general merchandise: we pared the selection down to the best, fastest-moving items. General merchandise does very well."

Cullum officials are pleased with the sales performance of the Plano Tom Thumb-Page store thus far. "In terms of volume," Mr. Evans says, "we're doing better than we anticipated we'd be doing in our first year."

Mr. Allen adds that the Plano store is in the top 10 of the company's stores in total sales. He expects 1988 sales to be around $25 million.

"Upscale stores can work very well in a variety of areas," he says. "Maybe not in strictly low or low-to-middle income areas, but in mixed areas. This type of store appeals to a broad base of the population."

He notes, however, that large, upscale superstores must be situated in areas with large populations. They also must draw a broad customer base from a wide geographic radius to ensure they'll generate the necessary sales volume to support them.

"Volume is key in our industry," he says. "If you didn't have volume, you'd get murdered on labor costs." The supermarket business becomes even more labor intensive when a store has many service departments.

"As volume goes up," he continues, "the differential in labor between this type of store and a more conventional store narrows, and you're still achieving your gross profit."

The two new Simon David stores will open in Austin by December 1987 and in north Dallas by March 1988 at 56,000 and 78,000 square feet, respectively, significantly larger than the existing Simon David at 33,000 square feet.

Simon David does not advertise, according to Mr. Allen, who says the store relies on word of mouth to attract customers. However, he notes that the store honors "Tom Thumb ads on items we carry. The advertised items are identified in-store through shelf signs."

The Simon David store should do around $28 million in 1987 sales, surpassing the company's original expectations, says Mr. Allen, who hopes the 78,000-square-foot store planned for Dallas will top $35 million in annual volume.

El Monte, Calif.-based Vons Grocery, which introduced its version of the upscale superstore, Pavilions, in October 1985, now operates five such stores ranging from 50,000 to 75,000 square feet.

The stores are in demographically mixed areas, but all with a large population base to ensure good customer draw, according to a Vons spokeswoman.

Originally, the stores were called Vons Pavilions. "We thought using the Vons name was a good way of getting recognition initially," she explains. "Now, we feel Pavilions has grown strong enough to stand on its own."

Vons also has another upscale format called Pantry, acquired from Cullum Cos. in June 1986. Sized about 20,000 square feet, these 10 stores are considerably smaller than the Pavilions.

Vons has separate business units for each of its formats, including it's new Tianguis store

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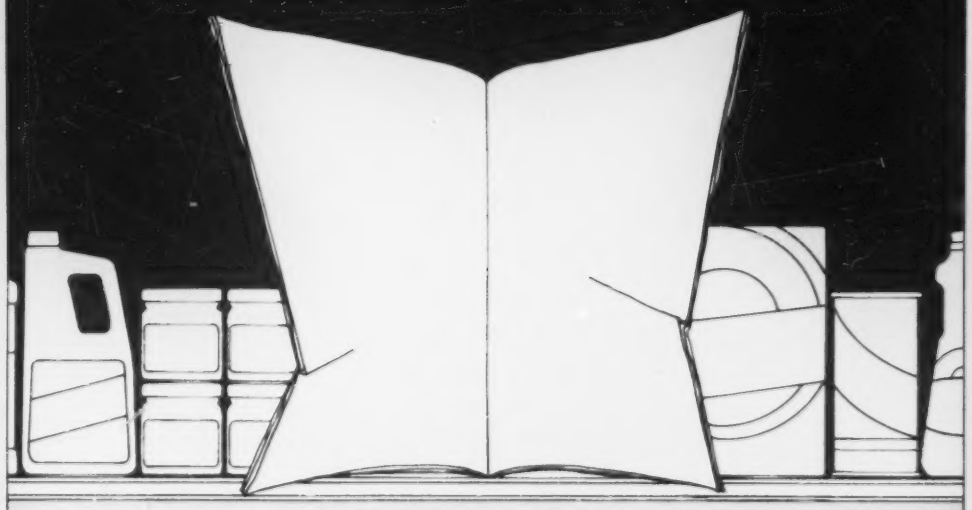
SHELF SPACE



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Gourmet foods to go

(Continued from Page S-12)
emphasizing convenience with Dinner Tonight: dinners assembled and packaged in microwaveable containers.

Beginning last November, Dinner Tonight has featured such specials as stuffed cornish hen, beef tenderloin and quartered roast duck—foods that are gourmet but familiar, according to Public Relations Manager Gail Shelton—with two side dishes like rice pilaf or ratatouille for approximately $6.

Finast promotes Dinner Tonight in newspaper inserts featuring $1-off coupons and in direct-mail circulars. Since its introduction, the product has shown a slow, continual increase, says Ms. Shelton, growing 30% in six months. She adds that the test has been deemed a success, and Finast plans to move the concept into other markets.

Kroger Co.'s Buckhead-area store in Atlanta features sushi. Kroger hired two local restaurant sushi chefs, set up a 64-square-foot, sit-down sushi bar and began to offer what Bob DeVoe, meat merchandising representative, calls a competitive product at competitive prices. Mr. DeVoe says Kroger's sushi prices average around 50¢ less than in area restaurants. He also notes that the product has a higher profit margin than other prepared foods. Eight pieces of assorted sushi-to-go retail for $4.99, and 10 prepackaged assortments are available in the takeout case 24 hours a day.

Customers obviously have responded: 70% to 75% of the sushi bar's business is takeout, and the case has been mobbed since the department opened in November, reports Mr. DeVoe. He estimates that Kroger's sushi business has witnessed a 20% to 25% growth rate since its inception last November. The store is now mailing 13,000 direct-mail pieces to explain and promote its sushi; it routinely offers in-store sampling. Cincinnati-based Kroger also is considering sushi for other Atlanta stores and opened a sushi bar in one Cincinnati store in March. "It could expand into other markets as well," says Mr. DeVoe.

Supermarkets score low as take-out food source

	Size of household					
	1	2	3	4	5 or more	Total
Fast food store	29%	39%	44%	49%	50%	**43%**
Restaurant carry-out	32	37	41	38	39	**38**
Supermarket carry-out	13	12	9	8	5	**10**
Some other place	6	1	2	1	1	**2**
None/not applicable	6	6	1	3	2	**4**
It varies	1	2	1	1	1	**1**
Not sure	13	3	2	1	3	**3**

Base: the shopping public; January 1986
Source: Food Marketing Institute

Other supermarkets are going after their share in a more spiashy way—hiring Culinary Institute graduates as chefs, building huge, in-store kitchens and turning prepared-food departments into extravaganzas set in the middle of a storewide gourmet bazaar.

A prototype is Kings Super Markets' Short Hills, N.J., store. Kings Kitchen —surrounded by shelves filled with 13,000 specialty items—is situated near the store's deluxe meat, seafood, cheese, bakery and produce departments. Its 60-foot-long counter generally holds 60 to 70 offerings. Items like rosemary roasted potatoes, tortellini pesto and honey-glazed roast duck are standard fare.

Adding to the drama is the partly exposed kitchen. "It's more exciting for shoppers to see their food being prepared," explains Rob Bildner, VP and director of Kings Super Markets, West Caldwell, N.J. Kings promotes Kings Kitchen with in-store sampling, brochures and weekly run-of-press newspaper ads, handled in-house.

As might be expected, supermarket gourmet-to-go departments, or even the more elaborate prepared foods departments, don't open in neighborhoods with 18% unemployment, Mr. Wahl points out. Store owners prefer the kind of affluent, professional neighborhood that Kroger chose for its sushi experiment and chains usually choose for their larger stores, in which these departments usually are located.

The reason: Big stores such as Kings' 40,000-square-foot Short Hills store, a new upscale 55,000-square-foot Tom Thumb in Plano, Texas and the seven Finast supercenters—between 35,000 and 50,000 square feet—in New York and Connecticut are designed as one-stop shopping marts for busy, often freer-spending professionals.

The only problem with this logic is that these consumers aren't the only ones buying prepared food, as consultants have recently observed. "This trend is

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spreading and changing: from high income [groups] to average. No one wants to cook anymore," says Richard Winger, manager of Boston Consulting Group, New York.

Whether the trend continues to flourish depends on several factors, primarily whether stores can keep costs under control. According to Mr. Bildner, "It's very expensive to start up something like this—to recruit, train, produce the foods, promote it. Some stores just won't be able to do it."

While Mr. Bildner won't divulge Kings Kitchen's start-up costs or its Culinary Institute-trained chefs' salaries, the institute reports that graduates' starting salaries range from $16,000 for kitchen assistants to $28,000 for an executive chef.

Because of high start-up costs, store executives have to take a hard look at the type of operations they install. At Someplace Special, the Landover, Md.-based Giant Foods' gourmet store in McLean, Va., they do cost-accounting instantly. The in-store computer and on-premise cost accountant figure out a proposed dish's pricing and profitability. If it's profitable and sells, the computer then prints out the recipe and sends it to Giant's other 17 area stores with kitchens.

At the Tom Thumb gourmet-oriented store in Plano, on the other hand, limitations were set before the department opened. Hot entrees were ruled out; chicken, pasta, and potato salads were emphasized instead. The kitchen staff didn't think it could adequately control the quality of hot entrees, says store Manager Burton Hubbard. "If it's a matter of throwing out $13.95-a-pound Swedish meatballs because they dried out in the case, we'd rather not even try it," he says.

Some supermarkets, in view of the high costs of food preparation, have chosen to steer clear. Finast, for example, decided to go to an established food company, Culinary Foods, Chicago, to produce Dinner Tonight instead of staffing a kitchen and producing it in-house.

> ***"If you walk into the average supermarket, you don't know where you are."***
>
> **Michael Wahl**
> **Howard/Marlboro Group**

"We wanted to offer our customers an alternative," explains Ms. Shelton. "But we're a supermarket; we didn't want to become a restaurant."

Gourmet shops that specialize in prepared foods don't seem to be particularly worried about competition posed by supermarkets. As Deirdre Rockmaker, assistant director-PR for the New York-based gourmet emporium, Balducci's, sees it: "I doubt that a supermarket can come close to the quality."

But even so, supermarkets are determined to fight for their share. "When you ask supermarket owners what changes they've planned for the future; they all mention expanding the prepared food-deli department," Mr. Winger says.

"I think this trend will definitely continue to grow."

Niches

(Continued from Page S-12)

aimed at the hispanic market. Each is run differently in terms of merchandising and operations, says Robert Kelly, group VP-Pavilions and Pantry. Advertising also is handled separately.

"We have a different story to tell with each format," he says, adding that the Pavilions ads highlight specialty items as well as everyday commodities.

There are many pluses to upscale formats, but also potential pitfalls. Consultant Mr. Bishop notes that "when the format is congruent with consumer demographics, it'll work. But a retailer has to be truly selective."

Mr. Evans of Cullum Cos. also issues a word of caution. "This industry is notorious for copying each other without doing enough research," he says. "For instance, when generic products became so popular 10 or 12 years ago, everybody had to get into it, and it wasn't the best thing for everyone. Now, it's cycled out. Everyone can build an upscale store, but running it well is something else."

Also, many retailers originally upscaled to differentiate themselves in a highly competitive industry. However, Mr. Bishop notes that "If everybody is going in that direction, it won't be long before there's overstoring in that format."

For the time being, however, the concept is accomplishing a lot of things for a lot of retailers. It's helping them broaden their appeal among different consumer segments while boosting store volume and profits.

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Consumers concerned about food content

Percent who consider each item a serious health hazard

	1986	1985	1984
Residues, including pesticides and herbicides	75%	73%	77%
Cholesterol	48	44	45
Fats	44	42	—
Salts in foods	40	39	37
Additives and preservatives	33	36	32
Irradiation	37	—	—
Sugar in food	29	29	31
Artificial coloring	26	28	26

Base: the shopping public
Source: Food Marketing Institute

Supermarket chains see value in nutritional shelf labeling

By Janice Steinberg

Lima Beans. High Fiber. Low Fat/Cholesterol." "Sugar Free Dr Pepper. Calorie Controlled."

Shoppers throughout the country are finding more than just prices on brand-specific labels on supermarket shelves.

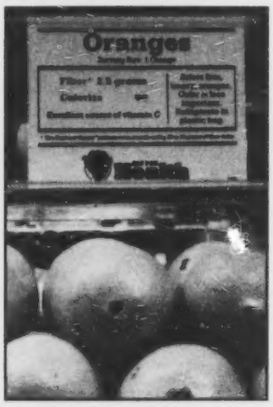
More than 20 chains, responding to consumers' increasing health consciousness, are putting nutritional information on shelf labels. The chains say nutritional shelf labeling is a valuable customer service that enhances their stores' image.

Seven of the 20 largest supermarket chains (based on U.S. supermarket sales, according to the Fairlawn, N.J.-based Food Institute's 1986 Food Retailing Review) are displaying nutritional shelf tags. They are A&P, First National Supermarkets, Giant Food, Grand Union Co., H.E. Butt Grocery Co., Lucky Stores and Vons Grocery Co.

Two others in the top 20 are testing labeling programs: Oakland, Calif.-based Safeway Stores is testing a pilot program in 10 northern California stores; North Quincy, Mass.-based Stop & Shop is testing in 15 stores.

Almost every labeling program includes foods low in calories, fat and sodium. Information about a product's nutritional content is gathered from manufacturers. More than 2,500 different items, including packaged goods, produce, dairy and bakery products, are labeled in some programs.

Janice Steinberg, a San Diego-based free-lance writer, is a frequent contributor to Special Report.



Giant Food is one of the supermarket chains using a labeling program providing information about a product's content.

The criteria for labeling generally match those established by the Food & Drug Administration. As defined in the food guide sold by Washington-based Giant Food in conjunction with its "Eat for Health" program:

- To qualify as being low calorie, an item must have 40 or fewer calories per serving and 0.4 or fewer calories per gram, or it must have at least ⅓ less calories than the food it replaces.
- A low-fat item must have 2 or fewer grams of fat per serving and less than 10% of dry weight derived from fat, or it must have at least 50% less fat than the product it replaces.
- A low-sodium item must have 140 or fewer milligrams of sodium per serving or contain 75% less sodium than the food it replaces.

Giant, with 140 stores in Washington, D.C., Virginia and Maryland, was one of the first companies to use nutritional shelf labeling, and its program has been the most carefully studied. From 1981 to 1983 Giant conducted a test, in conjunction with the FDA, comparing product movement in 10 Washington stores with shelf labeling to movement in 10 Baltimore stores without it.

"Giant's brand-specific labeling program did produce some shifts in buying behavior," says Raymond Schucker, FDA staff adviser. Mr. Schucker says that labeling made a difference when the label carried information most consumers hadn't known before. "For example, it wasn't generally known that tomato sauce and paste products are low in sodium. For those labeled that way, there was a significant shift in buying behavior. On the other hand, low-sodium crackers have been available for some time; that wasn't new information. Brand-specific flags for low-sodium crackers didn't seem to cause shifts."

The Giant/FDA program continued for two more years; it currently is being evaluated. "It appears that the effects were sustained for the next two years," Mr. Schucker says.

In March, Giant launched a new, two-year program, "Eat for Health," in conjunction with the National Cancer Institute. It includes shelf tags identifying foods as low in calories, low in fat/cholesterol, low in sodium, and/or high in fiber.

"Eat for Life" is in Giant's 105 Washington stores. Product movement in 20 stores will be compared with 20 demographically matched Baltimore stores that don't have the program.

Giant kicked off the program with a three-week advertising blitz that included 30-second TV spots, 60-second radio spots, and three full-page ads in the *Washington Post*, says Odonna Mathews, VP-consumer affairs.

"Eat for Life" is aimed at all nutrition-conscious consumers, rather than focusing on those who need special diets, she says.

Similarly, Sandy Bouzoukis, manager-media relations, Stop & Shop, says, "We're not just targeting people with special dietary concerns. It's for everyone who is health conscious."

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Europe's hypermarkets making waves here

By Claire Wilson

Despite lifestyle changes in Europe over the past two decades, there's a great deal about retailing in these parts that has been left behind.

Stores all over Germany close early during the week and at noon on Saturday, leaving working women little time for shopping. In Italy, the majority of shops still close for lunch. Some stores break for lunch in France as well, and evening retail hours are unknown, even in Paris.

For food purchases, many French consumers still set out daily—quaint little baskets in hand—for baguettes, cheese, fish, poultry and vegetables that they buy from neighborhood specialty shops or from outdoor market vendors.

In contrast to the baguette-and-beret mode, France also is the home of two of the most progressive grocery marketing innovations in decades: generic grocery products and hypermarkets—the massive, giant retailers that spawned them.

Claire Wilson is an Advertising Age correspondent based in Paris.

While generics may have run their course since they first appeared on France's shelves 10 years ago, the 25-year-old hypermarkets are considered the wave of the future. The high-volume, low-price retailing concept, which accounts for roughly 12% of France's total retail sales volume, also has made its way into the U.S. market and seems destined for a much longer life than generics.

Bigg's, owned by Cincinnati, Ohio-based HyperShoppes, a Franco-American partnership, opened in Cincinnati two years ago. The chain will add several new U.S. units over the next few years. Carrefour, France's leading hypermarket merchant headquartered in Evry, will open its first U.S. outlet in Philadelphia in October, with a second opening scheduled for Long Island, N.Y., in 1988.

While mixing general merchandise with low-profit grocery items is nothing new in the U.S., hypermarkets take the concept one step further. The key is convenience, with everything imaginable under one roof.

"We sell just about anything," says Marie-France Laisne, development director for the Carrefour chain, which has 64 units in France and more than 30 in Argentina, Brazil and Spain.

Didier Aubrac

Hypermarkets, such as this Carrefour store located in a Paris suburb, sell everything from fresh fish to general merchandise.

Hypermarkets sell everything from fresh shrimp to stereos, clothing, domestics and car repairs. Carrefour even has added insurance to its roster of services through a subsidiary, and is considering adding financial services as well. By offering such a wide product range, the company has pushed the average annual return per square foot to almost $500. Bigg's in Cincinnati is said to claim an annual return of $700 per square foot, compared with the U.S. supermarket industry's 1985 annual average of $438, according to the Washington-based Food Marketing Institute's most recent statistics.

To offer such variety for such a return, hypermarkets have to be spacious. Industry sources consider size the basic difference between hypermarkets and basic U.S. retail supermarkets, which have been increasing their assortment of non-food items as a tool to boost profits.

The average French Carrefour has 80,000 square feet of selling space, according to Ms. Laisne. Some have up to 250,000 square feet, which is why the stores, which first appeared in 1963, are outside urban areas and conspiciously absent from Paris.

"The price of real estate is just too high," explains Ms. Laisne. "It's also impossible to find a piece of land large enough to accommodate selling space and the requisite parking area."

Besides the merchandise assortment, which runs the gamut from low-priced and higher-priced private label stock to the branded leaders in all categories, one of the most striking elements of hypermarkets is the number of cashiers. During Sat-

Loss is gain

(Continued from Page S-17)

colnwood, Ill.-based promotion company specializing in supermarkets. For a $1,600-per-store fee, chains receive diet guidelines and shopping lists for customers, scales for weekly weigh-ins, and promotional materials.

Interested shoppers register at weigh-in centers, manned by store representatives and/or local health and fitness officials whose institutions co-sponsor the program. Each week, they receive a pamphlet that includes menus, recipes and a shopping list. The suggested foods often are marked by stickers of the diet's logo.

"It's always had a very positive effect on sales," says Mr. Schnitzer. Although many store officials are tight-lipped about exact figures, he says some have reported sales increases of 15% overall, 30% in produce. Naturally, he adds, stores also report dramatic declines in sales of snack foods, like cookies and potato chips. But the increases in produce sales, which have a higher margin than packaged

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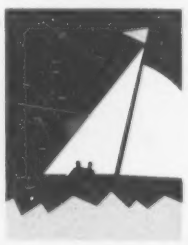

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urday's peak hours, there can be as many as 75 along the front of the store.

The average Frenchman who passes through a cashier's line spends roughly $34 per transaction, compared with the $15.50 he may spend at a French supermarket.

Such figures helped Carrefour amass net earnings of about $74 million in 1985, an increase of 21% over 1984. Further helping profitability is Carrefour's lean operation: A staff of 150 in the national headquarters oversees roughly 20,000 employees nationwide.

None of France's hypermarkets have manufacturing or packaging capabilities, according to Ms. Laisne. Their high volume, however, gives them all the advantages of having such capacities, with none of the costs. They have flexibility and muscle with their suppliers that allows them to develop such things as the signature, private-label programs for which Carrefour and chief competitor Euromarche have developed reputations.

Carrefour's stores are undergoing a trade-up effort, spawned by changes in consumers' attitudes. Such changes also encouraged Carrefour and Euromarche to start phasing out the generic products launched in 1976.

"Back then, the idea was to give the customer the lowest price for the best quality, and in 1976 people wanted conformity," recalls Ms. Laisne. "In 1986, they are more conscious of individuality in addition to being a bit more sophisticated in their tastes and better informed customers in general."

Carrefour's trade-up line—food products, liquor, domestics and clothing—with its spiffy new packaging and upscale look, eventually will replace the no-frills generics line on store shelves. Ms. Laisne is quick to point out that this doesn't necessarily mean prices will be higher. It's the consumer's awareness that is more developed, she says, not necessarily his pocketbook.

> ***"In 1986, [people are] a bit more sophisticated in their tastes."***
>
> **Marie-France Laisne**
> **Carrefour**

Just how well-developed the U.S. consumer's awareness of hypermarkets will be in the next few years remains to be seen. HyperShoppe's Bigg's, a joint venture between Euromarche, based in Athis Mons, a Paris suburb; Paris-based Lazard Freres; and Eden Praire, Minn.-based Super Valu Stores, suffered first-year operating losses of roughly $7 million, but has announced plans to go ahead with its second store in the Cincinnati area and another in Denver.

Carrefour, which will open a U.S. unit this year, already has a U.S. market presence as 18% owner of the Seattle, Wash.-based Costco Wholesale Corp., a chain of membership warehouses it purchased two years ago as an experiment in U.S. retailing.

A former Carrefour employee who helped launch the U.S. ventures is confident the timing is right to bring hypermarkets to the U.S. in an aggressive but well-planned way. "Everyone in the U.S. is talking about one-stop shopping; the trend is definitely toward larger-size supermarkets," he said in an earlier interview. "Now, we think [the trend] is strong enough for us to take a chance in a large market like the U.S." ■

New product introductions in six European countries

	Food		Non-food	
Country	**1985**	**1984**	**1985**	**1984**
Belgium	234	197	86	89
Finland	229	227	185	161
France	290	277	189	221
West Germany	461	521	437	463
Netherlands	270	301	305	312
U.K.	678	618	446	353

Source: I.I.S. Publications

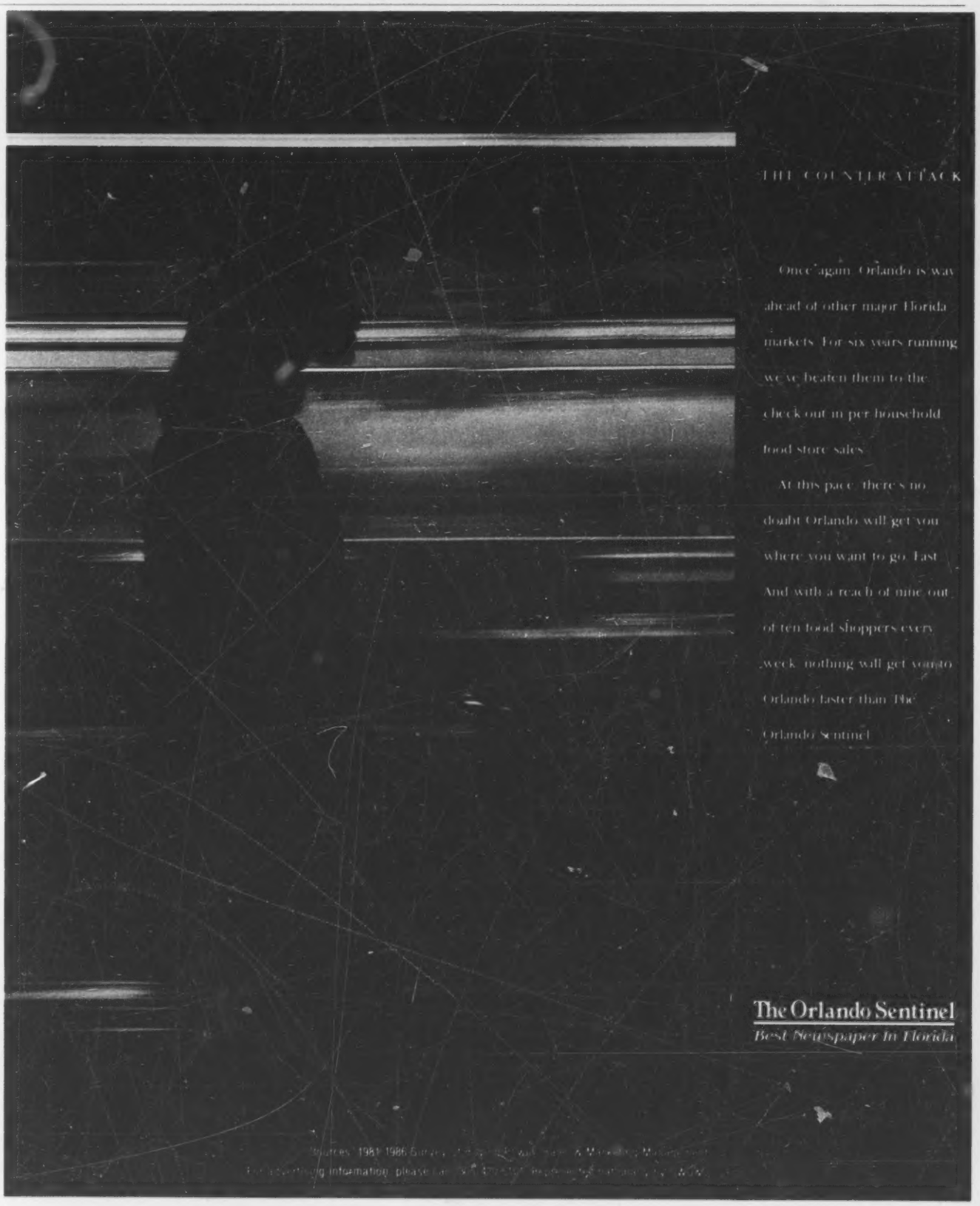
goods, more than compensates for the loss.

Publix Super Markets, which ran the promotion in almost 200 of its northern and central Florida stores last summer, saw "very good increases" in sales of produce, fresh seafood, lean meats and poultry, says Clayton Hollis, director of public affairs for the Lakeland, Fla.-based chain.

In the 34 Waldbaum's Food-Mart stores in Connecticut and western Massachusetts where the diet was offered last spring, sales of some items increased roughly 25%, says Daniel Lescoe, VP-sales and marketing.

Detroit's Great Scott Supermarkets had trouble keeping recommended foods on shelves. "We were scrambling for quite a few items," says Paul Coleman, advertising manager for Great Scott, which ran the program in 22 supermarkets last summer.

Supermarket officials also say the plan has gained new customers. "After getting people into the store for the diet," says Mr. Hollis, "we were able to show them that they needed to be shopping at a Publix, and they have continued to do so." ■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Redesign puts old packages in a new light

By Phyllis Furman

Marketers seeking a classier image for their products are turning to package design as an economical but powerful means of communicating value.

In general, package design is becoming increasingly significant, as evidenced by the recent acquisition of the San Francisco-based design company Sidjakov Berman Gomez & Partners by London-based WPP Group, Britain's second largest design company.

Phyllis Furman is an Advertising Age correspondent covering New York and New Jersey.

WPP owner Martin Sorrell says the purchase is an effort to gain a bigger slice of the $9.5 billion U.S. market in below-the-line marketing services, of which package design is a major element. According to Mr. Sorrell, the increasing number of working women, the declining influence of TV as an ad medium and the proliferation of new products all have contributed to package design's increased importance.

"Marketers have finally woke up to the fact that people want to be sold, and well-designed packages stacked on a supermarket shelf make a beautiful billboard," says Phil Lempert, president of Belleville, N.J.-based The Lempert Co., an ad agency and publisher of "The Lempert Report," a food-marketing newsletter.

"Consumers are spending more and they want more for their money," claims Fred Mittleman, founder and creative director of New York-based Mittleman/Robinson Design Associates. "Because of the high cost of media, marketers are focusing on the element that is most controllable and least expensive: packaging."

The frequency of package redesigns has increased over the last few years. "Twenty years ago, a package would change about every seven years. Now we're seeing changes every four years," says Herbert Meyers, managing partner of the New York-based design company Gerstman & Meyers.

Traditionally, refining a package's image has meant introducing design elements that signify quality. The use of fine detail such as ruled lines, borders and crests, finely patterned backgrounds, and colors such as black, gold and burgundy contribute to a product's premium image.

But most package designers reject the constraints of what is typically considered upscale and define the term in its broadest sense: Upgrading an existing brand means giving it a fresh look that communicates value.

Rarely are package designers asked to completely transform the look of a firmly entrenched brand. More often, they're asked to work on a product whose packaging doesn't reflect the premium position the product already occupies.

"We frequently find that brand image is better than the image projected by the package," says Gerron Vartan, senior VP, S&O Consultants, a design company based in San Francisco. "Our goal is to bring the package up."

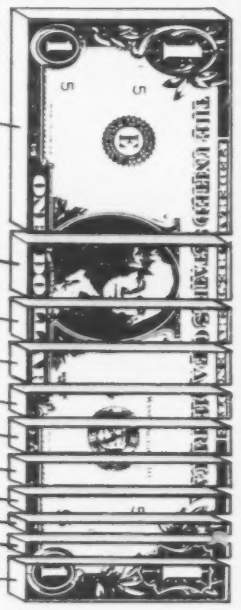
S&O was asked to do just that in 1985 for Casino, Kraft's premium line of cheeses. At the time, Casino's position was being eroded at both ends by European gourmet imports and mass-market cheeses, whose packaging was virtually indistinguishable from Casino's dowdy country look.

Reviving Casino's image and differentiating it from the general Kraft milieu involved introducing packaging elements that weren't strictly upscale. Casino's original country look was rendered in pale, nondescript colors and featured an illustrated pitcher of milk. A large Kraft logo appearing at the top of the package diminished the scripted Casino name.

Streamlining the package was key to establishing Casino's premium image. The most signifi-

What the 1985 food dollar paid for

Total is 99 percent, not 100 percent because of rounding of figures.



Source: Economic Research Service, U.S. Department of Agriculture

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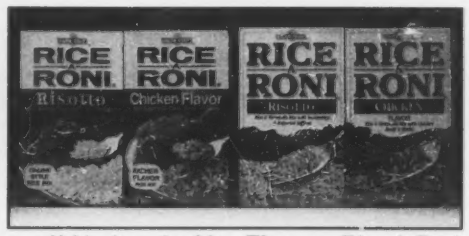
cant feature added was a series of three strips, with different colors signifying different Casino flavors.

The top strip features the Casino logo printed in white letters. The Kraft logo now appearing at the bottom of the package is smaller, the pitcher of milk gone.

Sidjakov Berman & Gomez was offered a similiar task last year when it was asked to upgrade packaging for Rice-A-Roni, a premium side dish from Quaker Oats slated for a national relaunch this month. The company was charged with revitalizing Rice-A-Roni's strong image without disenfranchising its loyal consumer base.

Achieving this goal meant introducing subtle design elements to signify that Rice-A-Roni is a value-added product. Photography played a large role in the redesign. The new product photograph richly details the food, and unlike in the old shot, an elegant silver fork appears in the foreground.

Gold outlines the package's lettering, and a blue band with white lettering identifying individual flavors appears in the center. Quaker Oats reports that in focus groups, the new Rice-A-Roni logo was preferred by consumers by a 25-to-2 margin over the old one.



Redesigned packaging for Breyers' ice cream plays off black and white. The new Rice-A-Roni package uses larger type and more artful photography for a cleaner look. (old: left; new: right.)

> ***"When you design a package that's too upscale, you might be designing yourself into a corner."***
>
> **Flavio Gomez, Sidjakov, Berman & Gomez**

A more blatant example of an upscale redesign is Gerstman & Meyers' award-winning work (1986 Clio for U.S. Packaging Design-Best Dairy Products Category) on Breyers' ice cream, whose packaging literally went from white to black. Breyers, originally a premium regional brand distributed in the East, was redesigned for national distribution in late 1985. Like Casino, Breyers, also a Kraft product, was being challenged from both ends of the market. The influx of both superpremium and store brands had Breyers lost in the freezer section.

Gerstman & Meyers chose a strategy that would not only differentiate Breyers, but also give the product a premium look. Black—a first in this category, according to G&M—was used as a background to highlight the color and texture of the ice cream featured in the package's photograph.

"Black makes the ice cream the hero of the package," says Dick Gerstman, G&M managing partner. The new, streamlined package also features an elegant white logo. The old package relied on the signature Breyer leaf motif, which cluttered the package, says Mr. Gerstman.

While she won't divulge sales figures, Kathy Rhyne, associate product manager, says "The product has been well accepted, and the brand is doing better."

When Gerstman & Meyers introduced the package in the freezer section, black was just beginning to typify upscale—a sign of the problems such packaging causes when it is employed indiscriminately.

"Everything is beginning to look alike, and products are losing character," says Mr. Mittleman, who also cautions against formula upscaling. "Black and gold have to be used the right way, otherwise the package will confuse consumers."

Flavio Gomez, a principal at Sidjakov, Berman & Gomez, warns that upscale design can sometimes be too extreme. "When you design a package that's too upscale, you might be designing yourself into a corner, not leaving any room for an even more premium brand that a marketer might be planning to add to the line," Mr. Gomez says.

The problem of upscale overkill becomes even more apparent with the advent of new design innovations such as holograms—three-dimensional pictures with which package designers are now experimenting.

"These innovations can undermine the upscale trend," says John Lister, exec VP of New York-based design company Lister Butler. "Prestige equals tradition, not high-tech," he says. "If a designer indulges in this kind of overkill, he could come up with something very gauche." -VS

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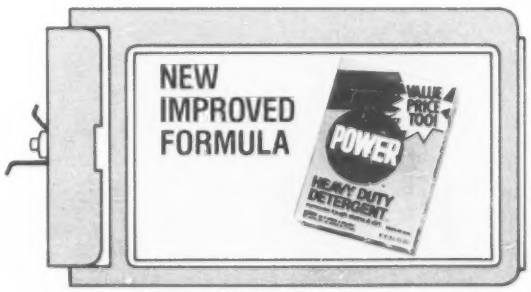

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Newspaper Advertising SAU Inches in the MRCS

February 1987 vs. February 1986

AKRON, OH

	1987 Full Run	1987 Part Run	1986 Full Run	1986 Part Run
Beacon Journal (E)	80,462	——	74,752	——
Beacon Journal (S)	65,360	——	61,395	——
Grand Total	145,822	——	136,147	——

NOTE: Part run figures not available

ALLENTOWN, PA

Call (M)	130,605	——	129,237	——
Call (S)	87,672	——	80,909	——
Grand Total	218,277	——	210,146	——

NOTE: Part run figures not available

ASBURY PARK, NJ

Press (E)	164,407	13,747	151,672	14,142
Press (S)	140,058	14,021	125,999	14,550
Grand Total	304,465	27,768	277,671	28,692

ATLANTA, GA

Constitution (M)	148,470	59,405	156,658	45,534
Journal (E)	146,037	69,440	153,244	46,557
Journal & Constitution (S)	109,318	52,321	114,819	47,409
Journal & Constitution (Sat)	43,214	——	39,888	——
Grand Total	447,039	191,166	464,609	139,500

NOTE: Constitution Morning and Journal Evening published five days a week only

BALTIMORE, MD

Sun (M)	121,871	5,231	101,401	2,698
Sun (E)	105,071	5,234	80,556	2,648
Sun (S)	139,189	36,530	131,130	30,468
Grand Total	366,131	46,995	313,087	35,864

BERGEN COUNTY, NJ

Record (E)	138,059	14,297	133,380	16,275
Record (S)	140,382	30,731	120,752	38,718
Grand Total	278,441	45,018	254,342	54,993

NOTE: Record Evening published five days a week only

BOSTON, MA

Herald (M)	86,596	509	52,404	——
Herald (S)	23,775	29,972	18,538	21,702
Globe (M)	123,908	11,545	126,376	8,184
Globe (S)	170,974	19,701	161,088	16,121
Grand Total	405,253	61,727	358,406	46,007

BUFFALO, NY

News (AD)	83,572	20,169	86,507	9,802
News (S)	54,310	13,577	54,241	12,198
Grand Total	137,882	33,746	140,748	22,000

CAMDEN, NJ

Courier Post (E)	101,110	14,911	101,598	17,152
Courier Post (S)	55,521	6,542	55,543	5,544
Grand Total	156,631	21,453	157,141	22,696

CHARLOTTE, NC

Observer (M)	108,848	——	101,572	——
Observer (S)	71,132	——	66,891	——
Grand Total	179,980	——	168,463	——

NOTE: Part run figures not available

CHICAGO, IL

*Tribune (M)	117,513	226,000	113,803	226,531
*Tribune (S)	121,665	82,708	119,477	91,920
Sun-Times (M)	117,734	73,058	118,120	70,215
Sun-Times (S)	53,572	24,903	63,588	23,221
Grand Total	410,484	406,669	414,988	401,987

NOTE: Tribune figures supplied by publisher to Media Records. 1987 figures represent advertising for 2/2/87 to 3/1/87.

CINCINNATI, OH

Enquirer (M)	125,350	11,559	131,884	1,203
Enquirer (S)	108,432	4,085	105,168	5,946
Post (E)	64,227	15,729	56,619	6,561
Grand Total	298,009	31,373	293,671	13,710

CLEVELAND, OH

Plain Dealer (M)	113,803	26,960	113,378	25,759
Plain Dealer (S)	89,827	7,159	95,091	5,415
Grand Total	203,630	34,119	208,419	31,174

DALLAS, TX

News (M)	238,256	8,743	253,476	8,101
News (S)	137,087	13,173	159,517	17,705
Times Herald (AD)	170,042	20,568	190,831	29,026
Times Herald (S)	92,341	17,639	110,574	18,011
Grand Total	637,726	60,123	714,400	72,843

DENVER, CO

Rocky Mt. News (M)	224,446	1,981	231,204	2,376
Rocky Mt. News (S)	79,764	561	80,421	1,044
Post (M)	146,020	20,644	154,999	5,592
Post (S)	99,813	846	100,202	494
Grand Total	550,043	24,032	566,826	9,506

DETROIT, MI

	1987 Full Run	1987 Part Run	1986 Full Run	1986 Part Run
Free Press (M)	88,423	38,038	82,799	21,952
Free Press (S)	47,476	30,760	47,327	17,408
News (AD)	120,440	34,498	115,629	40,934
News (S)	83,515	25,516	79,659	25,252
Grand Total	339,854	128,752	326,414	105,546

ESCONDIDO, CA

Times Advocate (E)	85,430	4,630	——	——
Times Advocate (S)	41,577	640	——	——
Grand Total	127,007	5,270	——	——

NOTE: 1986 figures not available

FORT LAUDERDALE, FL

News & Sun-Sentinel (S)	105,329	——	100,983	——
Sun-Sentinel (M)	274,659	——	277,367	——
Grand Total	379,988	——	378,350	——

NOTE: Part run figures not available. Morning figures include the Saturday Edition.

FORT WAYNE, IN

Journal Gazette (M)	61,888	——	60,061	——
Journal Gazette (S)	56,106	——	59,510	——
News Sentinel (E)	65,644	——	67,274	——
Grand Total	183,638	——	186,845	——

NOTE: Part run figures not available

GREENWICH/STAMFORD, CT

Time (E)	76,925	2,883	67,070	2,029
Time (S)	59,208	——	48,280	——
Advocate (E)	91,584	14,300	84,392	5,634
Advocate (S)	55,611	4,759	48,685	——
Grand Total	283,328	21,942	248,427	7,663

HARTFORD, CT

Courant (M)	127,421	24,226	123,821	19,533
Courant (S)	76,858	110,748	76,352	85,021
Grand Total	204,279	134,974	200,173	104,554

HONOLULU, HI

Advertiser (M)	108,778	——	111,667	——
Star Bulletin (E)	119,268	——	97,147	——
Star Bulletin & Advertiser (S)	74,991	——	67,167	——
Grand Total	294,037	——	275,981	——

HOUSTON, TX

Chronicle (AD)	191,477	34,858	205,990	32,059
Chronicle (S)	103,014	26,830	108,276	22,752
Post (M)	120,250	35,731	140,603	26,352
Post (S)	61,904	27,717	69,456	24,367
Grand Total	476,645	125,136	524,325	105,530

LONG BEACH, CA

Press Telegram (M)	97,328	38,230	90,324	33,005
Press Telegram (S)	55,446	3,874	50,572	1,818
Grand Total	152,774	42,104	140,896	34,823

LONG ISLAND, NY

Newsday (E)	101,802	94,878	128,268	74,355
Newsday (S)	84,383	84,066	88,458	73,829
Grand Total	186,185	178,944	216,726	148,184

LOS ANGELES, CA

Times (M)	255,404	251,325	259,354	230,074
Times (S)	152,468	84,247	161,490	89,414
Herald Examiner (M)	58,279	8,063	55,596	6,740
Herald Examiner (S)	14,802	6,912	13,586	4,561
Grand Total	480,853	350,547	490,026	330,789

LOS ANGELES/SAN FERNANDO VALLEY, CA

News (M)	166,474	26,352	172,836	19,397
News (S)	76,991	138	76,710	1,496
Grand Total	243,465	26,490	249,546	20,893

*LOS ANGELES/TORRANCE, CA

Breeze (E & S)	188,153	——	181,879	——
Grand Total	188,153	——	181,879	——

NOTE: Figures supplied by publisher to Media Records

*MEMPHIS, TN

Commercial Appeal (M)	107,727	76,116	101,635	59,129
Commercial Appeal (S)	81,622	7,194	76,232	7,654
Grand Total	189,349	83,310	177,867	66,783

NOTE: Figures supplied by publisher to Media Records

MIAMI, FL

	1987 Full Run	1987 Part Run	1986 Full Run	1986 Part Run
Herald (M)	141,439	——	156,911	——
Herald (S)	82,956	——	90,276	——
News (E)	56,813	——	55,262	——
Grand Total	281,208	——	302,449	——

NOTE: Part run figures not available

MINNEAPOLIS, MN

Star & Tribune (AD)	88,988	16,861	89,456	14,176
Star & Tribune (S)	121,939	7,353	119,569	1,574
Star & Tribune (Sat)	24,184	——	20,747	——
Grand Total	235,111	24,214	229,772	15,750

*NASHVILLE, TN

Banner (E)	82,330	——	85,681	——
Tennessean (M)	82,886	——	86,503	——
Tennessean (S)	75,071	——	68,209	——
Grand Total	240,287	——	240,393	——

NOTE: Figures supplied by publisher to Media Records

NEW BRUNSWICK, NJ

Home News (E)	70,287	981	68,505	1,439
Home News (S)	66,282	8,251	66,851	——
Grand Total	136,569	9,232	135,356	1,439

NEW YORK, NY

Times (M)	153,575	16,313	147,531	14,955
Times (S)	179,068	109,175	172,709	97,368
News (M)	55,750	82,065	54,460	76,882
News (S)	40,362	75,257	37,663	78,228
Post (AD)	63,927	1,074	50,823	882
Grand Total	492,682	283,884	463,186	268,315

NEWARK, NJ

Star Ledger (M)	181,853	5,678	176,876	5,473
Star Ledger (S)	187,100	25,338	171,988	18,744
Grand Total	368,953	31,016	348,864	24,217

OAKLAND, CA

Tribune (M)	72,918	68,237	81,076	53,503
Tribune (S)	37,426	39,647	47,376	30,102
Grand Total	110,344	107,884	128,452	83,605

OCEANSIDE, CA SAN DIEGO COASTAL NORTH COUNTY

Blade-Tribune (E)	79,301	4,696	70,877	1,815
Blade-Tribune (S)	41,746	521	42,095	——
Grand Total	121,047	5,217	112,972	1,815

NOTE: Blade-Tribune Evening published five days a week only

ORANGE COUNTY, CA

Register (AD)	272,812	89,054	275,945	58,730
Register (S)	124,090	——	116,421	6,449
Grand Total	396,902	89,054	392,366	65,179

PHILADELPHIA, PA

Inquirer (M)	130,391	17,623	130,318	30,560
Inquirer (S)	124,000	50,474	116,362	40,719
News (E)	65,933	1,339	68,103	3,053
Grand Total	320,324	69,436	314,783	74,332

*PHOENIX, AZ

Arizona Republic (M)	207,546	14,612	224,983	11,052
Arizona Republic (S)	146,139	——	149,363	——
Gazette (E)	197,896	14,620	214,958	11,099
Grand Total	551,581	29,232	589,304	22,151

NOTE: Figures supplied by publisher to Media Records

*PROVIDENCE, RI

Journal (M)	84,022	68,956	73,482	60,203
Journal (S)	94,850	44,810	88,183	23,594
Grand Total	178,872	113,766	161,665	83,797

NOTE: MRCS SAU inches were supplied by publisher to Media Records. 1987 figures represent advertising for 1/26/87 to 2/22/87.

*ST. LOUIS, MO

Post-Dispatch (M)	91,891	31,624	82,926	30,021
Post-Dispatch (S)	99,438	——	98,576	——
Grand Total	191,329	31,624	181,502	30,021

NOTE: Figures supplied by publisher to Media Records

ST. PAUL, MN

Pioneer Press Dispatch (AD)	72,292	——	68,467	——
Pioneer Press Dispatch (S)	90,815	——	86,561	——
Grand Total	163,107	——	155,028	——

NOTE: Part run figures not available

SAN ANTONIO, TX

Express-News (AD)	105,678	36,271	118,119	25,022
Express-News (S)	75,435	22,883	75,261	23,833
Express-News (Sat)	33,892	——	35,536	——
Light (AD)	107,372	24,415	110,854	27,510
Light (S)	77,151	6,678	77,472	15,523
Light (Sat)	25,455	992	31,088	——
Grand Total	424,983	91,239	448,330	91,888

NOTE: Express-News All Day and Light All Day published five days a week only

SAN DIEGO, CA

	1987 Full Run	1987 Part Run	1986 Full Run	1986 Part Run
Union (M)	182,012	32,540	190,292	22,400
Union (S)	113,466	——	119,800	——
Tribune (E)	189,274	32,985	197,237	19,847
Grand Total	484,752	65,525	507,329	42,247

SAN FRANCISCO, CA

Chronicle (M)	112,211	59,841	113,678	52,413
Examiner (E)	110,791	58,701	——	——
Examiner & Chronicle (S)	67,324	37,639	71,846	34,703
Grand Total	290,326	156,381	185,524	87,116

NOTE: 1986 Examiner Evening figures not available

SAN JOSE, CA

Mercury News (AD)	263,470	16,773	250,784	22,763
Mercury News (S)	136,275	——	134,285	——
Grand Total	399,745	16,773	385,069	22,763

*STATE COLLEGE, PA

Centre Times (E)	64,094	5,150	64,551	813
Centre Times (S)	27,504	387	25,335	549
Grand Total	91,598	5,537	89,886	1,362

NOTE: Figures supplied by publisher to Media Records

*TOLEDO, OH

Blade (E)	84,249	——	81,780	——
Blade (S)	89,387	——	88,095	——
Grand Total	173,636	——	169,875	——

NOTE: Figures supplied by publisher to Media Records

WASHINGTON, DC

Post (M)	249,425	50,683	244,195	38,132
Post (S)	127,539	27,354	139,919	23,930
Grand Total	376,964	78,037	384,314	62,062

WASHINGTON, DC SUBURBAN GROUP

Montgomery Journal (M)	49,392	334	52,354	299
Fairfax Journal (M)	57,199	707	57,388	2,967
Grand Total	106,591	1,041	109,742	3,266

NOTE: Montgomery Journal Morning and Fairfax Journal Morning published five days a week only

WESTCHESTER ROCKLAND, NY

Reporter Dispatch (E)	75,953	15,859	66,622	8,041
Reporter Dispatch (S)	72,204	22,755	80,651	8,604
Grand Total	148,157	38,614	147,273	16,645

WICHITA, KS

Eagle Beacon (M)	84,701	——	78,806	——
Eagle Beacon (S)	67,369	——	63,042	——
Grand Total	152,070	——	141,848	——

NOTE: Part run figures not available

Source: Media Records

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REPORTING METHODOLOGY

Media Records continues to measure in linage but due to the introduction of the SAU 6 column format Media Records has designed and developed a methodology with the approval of our subscribers, the INAME Measurements Committee, The ANPA, NAB Working Committee, The AAAA Newspaper Committee, and other industry groups.

The approved methodology is titled The Media Records Conversion System (MRCS) and is based upon the printed page area of each product of the newspaper and is a five step approach as follows:

1. Measure Printed Page
   Width and Depth in Inches
2. Determine Square Inches of Page
   Multiply Width by Depth Inches
3. Determine the Number of SAU Inches of Page
   Divide the Square Inches by 2.0625 (SAU Inches)
4. Measure the Total Lines of the Page
   Multiply Column Depth Agate Lines by the Number of Columns on the Page
5. Determine the Factor for Converting Measured Lines to Reported SAU Inches
   Divide the Total Lines of Page by the Number of MRCS SAU Inches of the Page

SAU* is the registered trademark of the American Newspaper Publishers Association

CONSUMER WATCH

Urge to spend satisifed

Leftover cash causes splurge; rising rates may end the surge

By LEO J. SHAPIRO and DWIGHT BOHMBACH

Seven in 10 U.S. households reported during the first quarter that they were spending without restraint for consumables—as high a percent as our Advertising Age National Consumer Poll has found in two years.

At the same time, consumers' plans to buy big-ticket items, from houses to air travel, also warmed up.

Higher percentages than in the previous two or more quarters were planning purchases of housing, furniture, major appliances, carpeting, color TVs, air travel and overnight hotel/motel stays.

Encouraged by mortgage rates, which were down around 9% in March, 15% of the households thought they might buy new housing in the coming year.

Then came news of the rising prime rate, and mortgage rates have jumped upward. Now, what looked like the makings of a rally in housing and other major goods buying could wilt again.

It's not that consumers are in bad financial shape. During the first quarter, nearly eight in 10 households (76%) reported being either as well off (36%) or better off (40%) than a year ago.

Nine in 10 (89%) expected to be as well off (32%) or better off (57%) next year.

That's the result of a lot of people working and more expecting to get jobs in the future. More than 700,000 new jobs were added nationally in the non-agricultural sector during the first quarter of 1987.

Even so, 24% of all households say someone in the family was laid off or had hours or income cut during the past year.

Also, average hourly earnings in real terms declined. So, more people have to get jobs to maintain their families' existing standards of living.

During the first quarter of 1987, the lowest percent since first quarter 1986 (43%) reported having had money left over after paying bills at the end of the month.

> When months go by with little or no cash left over at month's end, Americans can suddenly switch off their Spending Imperative and turn on the Cutback Imperative.

The net decline since the first quarter of 1986 was only four points, but even a modest drop in the number of homes with money to spend at the end of the month can have costly consequences for the nation's retailers and manufacturers.

The Spending Imperative

Americans today govern their household spending according to how much cash they have left over at the end of the month.

Finding cash left over is one of the most powerful spurs to spending in American households. It triggers our "Spending Imperative"—the urge to put loose money to work by spending it.

When we have a little money left over, we spend a little more day to day on consumables. More cash on hand encourages bigger purchases.

And after a quarter or so with leftover dollars, the American Spending Imperative practically drives us into house-hunting or car-shopping.

The Spending Imperative can be seen at work during first quarter '87 among consumers who reported having money left over at the end of the previous month.

Among consumers who had this kind of money, 84% said they were spending without restraint for food, compared with 55% among those who were tapped out at month's end.

They also were much more likely to be planning major purchases during the months ahead; 23% were considering buying a new car, compared with just 14% of these with no cash left.

So the Spending Imperative, which is unleashed in Americans by having loose cash in their pockets, is a powerful driving force in our economy.

Any continuing decline in the percentages of households with money left over at the end of the month is likely to cut the Spending Imperative and perhaps even drive consumers back into the Cutback Imperative.

The Cutback Imperative

When months go by with little or no cash left over at month's end, Americans across the country can suddenly simultaneousy switch off their Spending Imperative and turn on the Cutback Imperative—canceling major buying plans and slicing back on day-to-day spending for consumables.

This possibility makes the fact worrisome that the percentage of Americans who say, "Things are getting worse for the country generally," has risen steadily since first quarter 1986 to 49% currently.

In the same period, the percentage who feel "the economic picture for the U.S. is getting worse" also has risen from 27% last year to 33% now.

In that sort of mood, people are inclined to be cautious about committing themselves to major purchases with extended payment programs.

When we asked consumers during the first quarter how they felt about making major purchases, 42% told us, "It's not a good time to make major purchases," the highest percent in five quarters.

Just 21% said they were considering buying something immediately "to take advantage of current prices," the lowest percentage in five quarters.

Much as they want and need major goods, consumers may wait until they see what happens next in the economy, how well their own income and outgo balance each month, and whether they have cash left over to feed their Spending Imperative.

Until more families find more in their pockets *before* payday in months ahead, retailers also are likely to be left waiting, in spite of the fact that more consumers are working than ever before.#

Messrs. Shapiro and Bohmbach are with Leo J. Shapiro & Associates, Chicago.

The spending imperative

	People with cash at end of month	People w/o cash at end of month
Spend freely for consumables:		
Food	84%	55%
Clothing	76	48
Driving	88	70
Medical	92	72
Standard of living	85	58
Plan purchases in coming year:		
New car	23	14
House	16	14
Furniture	34	24
Appliance	17	14
New carpeting	16	11
Color TV	14	10
Air travel	48	31
Overnight hotel/motel	59	40

Source: Leo J. Shapiro & Associates interviews with national sample of 1,350 men and women, January-March 1987.

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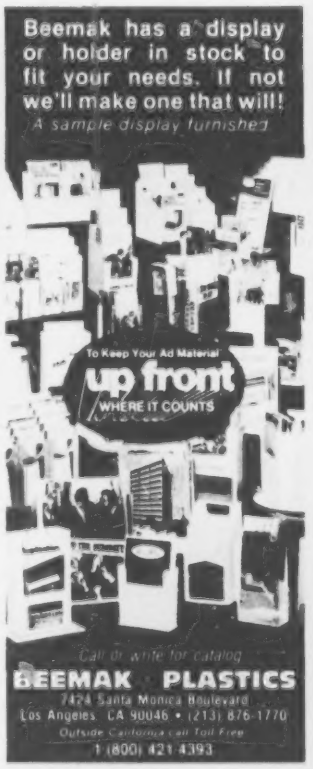
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